The Effect of Word of Mouth Communication on Marketing Performance –Case Study of Condor Brand from Customer perspective -

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Abstract

Nowadays, the power of word of mouth communication is widely accepted in customer behaviour studies. However, relatively few studies were conducted in Algeria about this notion and its relationship with marketing performance. Accordingly, this paper attempts to identify the effect of the word of mouth communication on marketing performance from the customers' point of view through two main indexes "customer satisfaction and customer loyalty", using a survey study on the Algerian brand "Condor" on a convenient sample of 355 respondents.

The main results of the current study show that there is a significant relationship between the word of mouth communication and the marketing performance of the studied Algerian brand "Condor". These results are meant to allow to the studied company to use this kind of communication to strengthen its marketing performance, and they also demonstrate that the WOM and the marketing performance evaluation were significantly affected by the sample demographic characteristics.

Finally, a discussion and recommendations were presented.

Keywords: Word of Mouth Communication, Marketing Performance, Customer Satisfaction, Customer Loyalty, Condor.

1. Introduction

Today’s marketing has to be a persistent part of everyone’s job description, from the receptionists to the board of directors. In a competitive world, companies have to work hard to offer more value to the market. They need to make their business, customer-centered, and to discover ways to run it more efficiently for themselves and more effectively for the customers (Peter, 2014). While advertisers are intensifying their attempts to reach customers, the latter are improving their skills and investing in technological equipments that help them to avoid the growing number of advertisements directed to them (Oetting, 2009) by filtering these ads using well determined criteria such as the direct referral groups recommendations. Word of mouth communication involves activities that are likely to encourage customers to talk about a product or a company or a brand, to their friends and neighbors, setting in motion a chain of communication that could branch out through a whole community (Roger, 2008). A company’s word of mouth communication can be measured as the outcome in marketing performance, in terms of customer loyalty, customer retention and competitive advantage.

The importance of this study rises from the fact that the classical selling approach is getting less and less popular with nowadays’ customers, that contributes directly in the growing importance of word of mouth in the realization of purchasing processes, and this fact was empirically confirmed many times, mainly due to its new electronic ways. Therefore, word of mouth (WOM) and word of mouth marketing (WOMM) became a new standard in modern marketing (Meiners; Schwarting and Seeberger, 2010).

In addition, measuring success and continuous monitoring of performance in reference to predetermined targets are the most important elements of marketing performance, which is normally tracked including the performance analysis concentration on quantitative measures directly related to short-term performance. However, there is a number of indirect measures tracking customer attitudes which can also indicate the organization's performance over a longer period of time. It is important for marketing managers to constantly evaluate the performance of their marketing efforts (Boundless.com).
Recently, Word of mouth has gained importance as a mechanism that differentiates companies from their competitors, due to its independence and credibility. Peter(2014) indicated that effective marketing performance requires good interpersonal communication in order to achieve the competitive edge. Despite its importance indicated above, up to now few studies have examined the relationship between word of mouth and marketing performance from the customers' perspective.

It is clear therefore, that more up-to-date research on word of mouth and marketing performance is required. Accordingly, the current study is an investigation about word of mouth communication and marketing performance on "Condor" brand as one of the Algerian brands in the electronic industry. Thus, this paper focuses on customer perspective and also how the organization deals with WOM.

1.2- Research Objectives

The main objective of this research is to examine the effect of word of mouth communication on the organization marketing performance, through the following sub-objectives:

1. To examine the relationship between word of mouth communication and customer satisfaction and customer loyalty.
2. To determine the influence of WOM's dimensions (volume and valence) on marketing performance.
3. To test the potential of statistically significant differences in word of mouth communication due to customers' demographic factors.
4. To test the potential of statistically significant differences in evaluating marketing performance due to customers' demographic factors.

1.3- Research Questions

According to what has been stated above, the current study problem can be stated in the following questions:

1. Does a statistically significant relationship between the word of mouth and marketing performance exist?
2. Are there statistically significant differences in word of mouth communication due to customer's demographic factors?
3. Are there statistically significant differences in evaluating marketing performance due to customer's demographic factors?

1.4- Research Hypotheses

H₁(1): Word Of Mouth has a statistically significant relationship with marketing performance.
H₁(1a): word of mouth volume has a statistically significant relationship with marketing performance.
H₁(1b): word of mouth valence has a statistically significant relationship with marketing performance.
H₁(2): There are significant differences in word of mouth communication due to customer's demographic factors.
H₁(2a): There is a statistically significant difference in word of mouth due to customer's gender.
H₁(2b): There is a statistically significant difference in word of mouth due to customer's age.
H₁(2c): There is a statistically significant difference in word of mouth due to customer's educational level.
H₁(3): There are statistically significant differences in evaluating marketing performance due to customer's demographic factors.
**H₁(3a):** There is a statistically significant difference in evaluating marketing performance due to customer's gender.

**H₁(3b):** There is a statistically significant difference in evaluating marketing performance due to customer's age.

**H₁(3c):** There is a statistically significant difference in evaluating marketing performance due to customer's educational level.

### 1.5 Research Variables and Conceptual Model

The current study encompasses two variables extracted from the research problem: The first is (i) The Word Of Mouth communication (WOM) as an independent variable, which consists of two main dimensions, WOM's volume and WOM's valence; and the second is (ii) Marketing Performance (MP) as the dependent variable measured through customer's satisfaction and his/her loyalty.

To explain the relationship and dimensions of the studied variables, a conceptual framework can be demonstrated below:

![Conceptual Model](image)

*Figure 1. The conceptual model of Word Of Mouth communication and marketing performance*

*Source: Adapted by the researchers.*

### 2. Literature Review

#### 2.1 Word Of Mouth In Marketing

##### 2.1.1 Defining Word Of Mouth

For many years, word of mouth (WOM) has been acknowledged as an important influence factor on consumer behavior. In the marketing context, WOM communications are defined as “informal communications directed to other customers about the ownership, usage, or characteristics of particular goods and/or services and/or their sellers” (Westbrook 1987, p. 261). In the same context it can be defined as “oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a good, or a service offered for sale” (Arndt, 1967, p. 190). These definitions are consistent with recent studies about WOM (Gruen et al. 2006; Harrison-Walker 2001; Wangenheim 2005; Wangenheim and Bayón 2007), although web dialogue such as blogs, message boards and e-mails are often now included in the definition (Arora, 2007).

##### 2.1.2 Word Of Mouth Motivations

What motivates a person to talk/listen about a product or a brand, is one of the oldest question in the literature of WOM. Ernest Dichter (1966) suggested that WOM is the result of consumer involvement in the product/use situation. Accordingly, four different states of involvement have been identified: (1) Product-involvement, in which the user desires to talk about the purchase and the gratifications it affords, (2) Self-Involvement, in which the user seeks to gain attention, recognition, or status in telling others about the purchase, and (3) Other-Involvement, where the user seeks to help other customers by sharing his or her knowledge or experiences.
Message-Involvement, refers to talk which is mainly stimulated by the way the product is presented through advertisements, commercials, or public relations, but is not necessarily based on the speaker’s experience with the product.


2.1.3 Characteristics Of Word Of Mouth

WOM can be characterized by valence (positive or negative), focus which means WOM can operate in the six-markets (customer, internal, supplier/alliance, referral, recruitment, influencer), timing refers to the potential of WOM to be uttered either before or after a purchase), solicitation where not all WOM communication originates from customers, it may be offered with or without solicitation; it may or may not be sought, and intervention although WOM can be spontaneously generated, companies are pro-actively intervening within an effort to stimulate and manage WOM activity (Buttle, 1998).

2.1.4 Factors that Increase the Importance of WOM

The present need of WOM in marketing rises from the fact that today’s customers had changed, they have a greater awareness and cannot be provoked by different types of traditional marketing techniques, due to fragmentation of markets and integration of communication in physical and virtual world (Rosen 2009, p. 41; Arora, 2007). Godes et al, (2005) had mentioned factors that have created in a need for more WOM:

* Demand-side factors: like product complexity, increase of its attributes and difficulty of its evaluation, it became more technical in nature, the economics of information provision via the internet, traditional media are perceived to have become less reliable as source of information.

* Supply-side factors: such as the development of technology which increased the volume of interpersonal communication (e-Forums), the expansion in number and forms of decentralized communication. As a result, information may be diffused more quickly with low cost.

2.1.5 WOM as a Tool of Competition in Marketing

Organizations continuously seek new ways to achieve competitive advantages, WOM produces this opportunity because it affects greatly customers' attitudes and behaviors (Mazzarol, 2007; Day, 1971). According to Silverman (1997) the independence of this tool source gives it the credibility, so it determines speed of product adoption, also it is more relevant and complete. Thus, WOM is the most honest medium, it is customer driven and mysterious, it's an invisible force, it became one of the product’s attributes, saving time and money, for this reason Misner and Devine (1999) mentioned that WOM is cost effective compared with other type of marketing communication tools used by the company. On the other side, it accelerates the customers' decision-making process, spread information, reduces risk associated with purchasing, increases customer loyalty/retention, builds profitable relationships, and provides competitive advantages. It is the type of communication which competitors find difficult to duplicate (Ennew et al, 2000; Arora, 2007), because it's based on the customers' opinion and attitudes which rely basically on their real experiences.

Silverman (1997) proposed that the unknown reason why WOM is so important is that it is a mechanism of experience delivery. The value of this communication tool will grow, because it is the most honest form of marketing communication that originates from the human desire to share ideas, opinions and experiences with friends and relatives (Rosen, 2009, p. 69). In addition, WOM is customer driven, it feeds on and generates itself (Silverman, 1997).

2.2 Marketing Performance

2.2.1 The Concept Of Marketing Performance

Marketing performance is a multidimensional construct, it is composed of effectiveness, efficiency and adaptability; and it concerns market place awareness and reactions to the realized positional advantages. It can be
defined from customer perspective, as the cognitive and affective responses (e.g. brand awareness and perceived quality) and the subsequent behavior consequences (e.g., purchase decision making and actions) of prospects and customers in the target market to the realized positional advantages achieved by the organization (Mutonyi and Gyau, 2013). Accordingly, marketing performance can be measured from company's perspective through marketing operation efficiency and from a customers' perspective through effectiveness and adaptability of its output with customers' needs, wants and preferences. This allows it to gain their satisfaction and their loyalty.

2.2.2 The Importance of Measuring Marketing Performance

Assessing marketing performance is an increasingly important task for managers and various stakeholders in the competitive business environment. The boundless.com cited that evaluating marketing performance guides future marketing initiatives and helps a company to achieve its goals. Ideally, marketing performance measurement should be a logical extension of the planning and budgeting exercise that happens before a company's fiscal year. Consequently, companies employ various methodologies to measure marketing performance and ensure they meet those performance goals. Marketing performance metrics or key performance indicators (KPIs) are useful not only for marketing professionals, but also for non-marketing executives. Therefore, evaluating marketing performance helps companies plan and budget for the following fiscal year.

2.2.3 Marketing Performance Indicators (MPI)

There are a number of measures or performance metrics or indicators that have been proposed to measure the performance of a company. These measures having been changed over time; there has been a move from financial measures to non-financial measures and from uni-dimensional to multidimensional measures (Nwielaghi and Ogwo, 2013). The financial measures include; sales, profits and revenues (Nwielaghi and Ogwo, 2013) while non-financial measures include; market share (Nwielaghi and Ogwo, 2013), quality of services, adaptability, customer satisfaction, customer loyalty/retention and brand equity (Lamberti and Noci, 2010; Chang; Chen and Ching Ho, 2012; McManus, 2013); multidimensional measures include: effectiveness referring to the extent to which organizational goals and objectives are achieved; and efficiency which summarizes the relationship between performance outcomes and the inputs required to achieve them, and adaptability which means the ability of the company to respond to environmental changes (Morgan; Clark and Gooner, 2002), and input measures including marketing assets, marketing audit, marketing implementation (Mutonyi and Gyau, 2013).

Although marketing performance measurement suffers from an emphasis on subjective measures, such as brand loyalty and customer satisfaction, which are difficult to link to financial metrics that mainly concern top management (Järvinen and Karjaluoto, 2015), customer satisfaction and customer loyalty are elements of the key inputs to achieve sustainable competitive advantage. Therefore we can based on them as measures of marketing performance in this paper. Customer satisfaction can be defined as the customers' evaluations of multiple experiences with the same product or brand provider over time (Bolton and Drew, 1991; Matos and Rossi, 2008). Whereas customer loyalty is defined in the marketing context as “an intention to perform a diverse set of behaviors that signals a motivation to maintain a relationship with the focal company, including allocating a higher share of the category wallet to the specific good or/and service provider, engaging in a positive word of mouth (WOM) to reach the advocacy level, and repeat purchasing” (Zeithaml et al, 1996; Matos and Rossi, 2008).

3. Methodology

In this study, a survey methodology was used to collect data. Longitudinal study might be more suited to a study on WOM and marketing performance, given that these constructs are considered as a long-term behavior which does not necessarily lead to short-term payoffs. Based on the proposed conceptual model, a series of measures were developed from the current existing academic business literature and adapted to fit the current study environment. To ensure that these measures, which have largely been developed in a western environment, could be applied to a cross-cultural settings, and taking place within the Algerian context, the questionnaires were translated from the original English version to Arabic and translated back from Arabic to English, they were pretested through survey pretests, any ambiguities and unclear questions were modified or eliminated.
The overall aim was to reveal how the independent variable (WOM) predicts the behavior of the dependent variable (MP). The study population consist of all the users of electronic products of the Condor brand in Algeria. The questionnaire was distributed in three zones, Bordj Bou Arreridj, Setif and M’sila. Purchasers and users of the Condor brand constituted the key population; they were well informed about the phenomena of interest in this study. The convenience sampling method was employed to collect data, from a 400 distributed questionnaires, 355 were well completed, so the responsiveness rate was 88.75 %.

The majority of survey items used in this study were based on Likert five-point scale format and sourced as mentioned above from existing literature, wherever possible. WOM communication was measured from the scale developed by Harrison-Walker (2001) (5 items), and adopted the two following components as the main dimensions of measurement: volume, valence, whereas satisfaction scale was adapted from Brown et al (2005) within (7 items). The loyalty scale used in this study was based on those of (Boulding et al., 1993; Zeithaml et al., 1996) with (4 items).

The reliability of the used scales was as follows: word of mouth, marketing performance were acceptable at Cronbach’s alpha coefficients equal to 0.806, 0.830 respectively.

4. Data Analyses and Result Discussion

The results show that the Pearson’s correlation coefficient between the WOM dimensions and marketing performance (MP) is 0.689, which demonstrates a strong correlation exists between the volume, valence of WOM and Marketing Performance. The determination coefficient is ($R^2= 0.475$), this implies that a 47.5% of variation in marketing performance is explained by variations in word of mouth communication, and the calculated ($F$) was 159.163 which has a corresponding significance of 0.000, which therefore refers to a good model utility.

The conducted test of significance indicates that; the volume and valence of WOM had a beta coefficients (0.285, 0.146) respectively corresponding significant probability Value (PV) of 0.000. The PV is less than 0.05 level of significance; therefore we concludes that the volume and valence of WOM are significant in determining the level of marketing performance from the customers’ point of view, which is associated with literature of WOM. Conventionally, calculated -t is (10.496, 5.878) for volume and valance respectively and is > tabulated -t (0.05, 355; t= 1.96). Hence we uphold the above decision and conclude that WOM dimensions significantly affects Marketing performance; $H_1(1a)$ and $H_1(1b)$ are supported.

Data were not normally distributed, because Kolmogorov-Smirnov test has a significant level less than 0.05, therefore nonparametric tests had been used to test $H_1(2)$ and $H_1(3)$. As proposed, the results for gender indicates that the Chi-Square equal to 11.321 with df=1, at significance level of 0.001 indicating that a significant differences in word of mouth communication exists due to gender; $H_1(2a)$ is confirmed. The differences were in favor of males with (Mean Rank=192.41) than females with (Mean Rank=154.80).

On the other side, for age the findings refer to 16.403 of Chi-Square with df=2 at 0.000 of significance level, infer that there is a significant difference in word of mouth communication due to age, which confirms $H_1(2b)$. The differences were in favor of over than 40 years with (Mean Rank=235.00) versus (25-40 years) and (less than 20 years) with (Mean Rank=182.33, 160.54) respectively.

Finally, supporting $H_1(2c)$ the Chi-Square of educational level is 40.868, df=2 at 0.000 of significance level, infer that there is a significant difference in word of mouth due to educational level which also confirms $H_1(2c)$. The differences were in favor of preparatory and secondary level with (Mean Rank=227.97, 212.75), than university level with (Mean Rank=182.33, 160.54) respectively.

Similarly, as expected the result of $H_1(3a)$ test affirms that Chi-Square is 4.873 with df=1 at significance level of 0.027, which means that there is a significant difference in evaluating marketing performance due to gender; the hypothesis $H_1(3a)$ is supported. The differences were in favor of males (Mean Rank=187.47) than females with (Mean Rank=162.74).

Additionally, for age the findings refer to 3.873 of Chi-Square with df=2 at 0.144 of significance level; which is greater than 0.05, inferring to no significant differences were found in evaluating marketing performance due to age, thus, $H_1(3b)$ was not supported.
Finally, according to the result, Chi-Square of educational level is 23.099 with df=2 at 0.000 of significance level, which denotes that there is a significant difference in evaluating marketing performance due to educational level, that affirms $H_{1(3c)}$ is accepted. The differences were in favor of preparatory level with (Mean Rank=226.35), than secondary and university level with (Mean Rank=195.20, 157.21) respectively.

5. Implications for Marketing Managers

This study has been motivated by a need to improve our understanding of the word of mouth communication and marketing performance in the Algerian electronic product sector. Using the Condor brand as a case study, this study has aimed to investigate whether WOM communication could impact marketing performance from the customers' point of view. Accordingly, the following conclusions can be drawn up from this study:

1. The volume and valence of Word Of Mouth communication have a significant impact on marketing performance of Condor brand from the Algerian customer’s point of view.

2. There are a significant differences in word of mouth communication due to the studied demographic factors (gender, age, education).

3. Except age, there are a significant differences in evaluating marketing performance due to demographic factors (gender, education).

The electronic industry companies in Algeria like other competitive industries are constantly striving to achieve superior marketing performance. Therefore, this study serves as a guide to better understanding of the relationships between word of mouth communication and marketing performance in the electronic industry in Algeria. Practitioners can design the appropriate communication mix regarding their industry perspective.

(a) The electronic product manufacturers in Algeria should adopt the activities involved in word of mouth communication to enable them achieving optimal marketing performance.

(b) Algerian companies in electronic industry have to extend their marketing communication mix to involve WOM; by encouraging and managing customer’s recommendations through traditional customers’ network and electronic forums that enable customers to exchange their experiences about the products.

(c) The WOM campaign should take in account the gender, age and education level.

(d) Programs of WOM communication must be analyzed and evaluated continuously.

(e) Many steps should be taken to improve the contribution of WOM in order to achieve superior marketing performance by focusing on its main dimensions volume and valence.

6. Conclusion

This study has aimed at making three important contributions. First, while WOM as a driver of consumer behavior has been well established in the literature, WOM communication as a determinant of performance has received less study. Based on the consumer behavior theory, this study views WOM communication as a key resource and capability that companies can use to manage their environment, perform and even survive.

Second, studies examining the “WOM–performance” relationship are limited in the academic business literature in Algeria. This study aims at extending existent literature by examining how WOM communication allows companies to improve their marketing communications, capability and in return perform better.

Last but not least, based on the conducted survey study using data from the Algerian electronic product segment, the third contribution of this paper is highlighting the concept of marketing performance in Algerian business environment, which has been primarily focused on in the Western environment.

However, as with any research, these findings need to be generated. First, the study has to apply on other brands and other sectors in the Algerian environment.

This study was applied on shopping goods, more researches on services must be done. Second, comparative studies should be conducted to know the key differences between types of products (cross-segment studies).
This paper attempted to measure WOM communication without determining its nature, future researches have to observe the electronic WOM. Another limitation of this study is that the findings ought to be only exploratory in nature since a cross-sectional study might not adequately capture a longitudinal-type phenomenon such as firm performance. In addition to customer satisfaction and loyalty, other variables can added to measure marketing performance (eg : market share, profitability…)

References


