

# Word of mouth: an effective marketing tool

SAZZADUL HASSAN

**M**ALCOLM Gladwell in his famous book "Tipping Point" described Paul Revere's historical ride on the night of April 18, 1775 from Boston to Lexington to spread the news "The British are coming" as one of the most successful word-of-mouth campaigns. Within just two hours he covered thirteen miles. While passing through each of the towns he knocked the doors of the local colonial leaders and informed them the British army was on their way and requested them to pass on the words to others. It worked like a miracle -- the news promulgated in an unprecedented pace. The churches started ringing their bells, local people were beating drums to draw the attentions of their fellow neighbours. Eventually all these efforts resulted in a well-organised and fierce resistance when the British began their march.

Word of mouth (WoM) technique is being used by mankind since ages to propagate any news. Business world had also adopted this effective means of human communication long back. Even today when the means of communications are plenty and easy to use, emerge of the internet, electronic and social media, multibillion dollar advertisements made communication lot easier, WoM is still regarded as the most effective ways of reaching out to the consumers and thereby enhance business.

According to Nielsen, 92 percent of consumers believe recommendations from friends and family more than any other forms of advertising. In a recent study, 64 percent of marketing executives indicated that they believe word of mouth is the most effective form of marketing. However, only 6 percent say they have mastered it.

History suggests, in early 1970s, the WoM concept got popular by the initiative taken by a psychologist

named George Silverman. He created a group comprising physicians who used to get engaged in dialogues about new pharmaceutical products. Silverman experienced an interesting trend during focus group discussions. He noticed, one or two physicians who had ample experience about a drug could easily change the mindset of an entire group who were skeptical. Even the physicians who had negative experiences would change their views on that product.

Many reputed companies used this technique quite successfully. Gmail is regarded as one of the most successful word-of-mouth marketing campaigns in corporate history. Initially Gmail was used by Google employees only for their official work. In April 2004, the company decided to open it for public in a very limited way by inviting friends and family members of its employees to use the closed beta test of Gmail. Later on, some of these friends and family would also get the chance to invite others. Today more than 425 million people use this web-based email service.

There are many such examples. Reckitt Benckiser's brand Dettol was struggling to grow in the smaller cities in China. Its TV commercials were not able to draw the attention of the target consumers although those were extremely expensive. Reckitt Benckiser then decided to launch a WoM campaign involving influencer moms. The company distributed 44,000 samples to 4,000 such moms. Each one of them received one kit for herself and 10 more to distribute to her friends. The campaign was a massive success, reaching 46 percent of the brand's target audience. In five months, brand awareness increased five times, purchase doubled from 21 percent to 42 percent, and sales increased 86 percent in only two months.

Companies like Coca-Cola, Starbucks, Apple and Adidas have been very successful in applying



WoM campaign. Not only the business world has been applying this method, non-profit organisations like Make-A-Wish Foundation off late launched one of the extraordinary WoM campaigns involving personality like US President Barack Obama. As a result of its campaign, Make-A-Wish received 1.89 million social impressions; more than half a million Batkid hashtags within no time. The event was able to draw significant press coverage including a BuzzFeed article that generated 2.5 million hits within three days. More than 20,000 Instagram and Twitter photos were posted by the end of the day, and, of course, donations increased.

It is always easier said than done. A million dollar question from the marketing executives around the world would probably be -- how to master WoM campaign. Different studies conducted so far revealed few fundamentals:

- 1. Selecting true influencers:** Very critical in delivering results. Target consumers not necessarily listen to everyone. Jay Baer, one of the reputed marketing and customer service inspirational speakers, commented, "True influence drives action, not just awareness."
- 2. Connecting appropriately to emotion:** Success of a campaign largely depends on how effectively the message touches the hearts of consumers. The campaign created for Miles Scott, a 5-year-old cancer survivor in remission, who wished he could be the superhero, Batkid, for one day, by Make-A-Wish Foundation touched people's emotion so contagiously that in a short period of time it reaches millions of them.
- 3. Engaging with the target consumer group continuously:** Promotion is never a one-off event. To ensure repeat purchase and establish the brand in top of consumers' mind, continuous engagement with consumers works as reinforcement.

**4. Ensuring caring and best-in-class customer service:** Caring customer service converts existing customers into fans who eventually become ambassadors for the brands they are loyal to. It is extremely critical how company treats their customers who keep the business growing.

Kimberly A Whitley in one of the articles published in the business magazine Forbes said, "Marketers used to focus on the four Ps: product, price, place, promotion. You probably had them drilled into your head as you pursued your marketing degree. Well, now marketers need to focus on the three Es: engage, equip, empower." Traditional ways of marketing to some extent lost its effectiveness. Consumers probably are lost in the midst of endless advertisements and eventually do not truly rely on those commercials for making their purchase decisions.

Marketers are putting emphasis on how to:

Engage with the target consumers. They are suggesting brand's presence in different forums like social media.

Equip the customers with something so that they find reasons to talk about the brand. It could be unique products, excellent services or interesting facts.

Empowering customers also makes them loyal. Asking customers for their feedback makes them feel important. Helping them to share their positive impression about a product within their circles and get that going works quite effectively.

At the end of the day success would hugely depend on finding out what people want to talk about and identify the influencers who can spread the message around. Andy Sernovitz, in his book, Word of Mouth Marketing, writes: "You will get more word of mouth from making people happy than anything else you could possibly do."

The writer is managing director of Syngenta Bangladesh.

## India accords residency status to foreign investors

REUTERS

India approved a plan on Wednesday to allow foreign investors to settle, emulating a policy in countries such as the United States and Singapore to woo investment from abroad.

The proposal, aimed at giving a fillip to Prime Minister Narendra Modi's "Make in India" programme, was first announced in February's federal budget.

Foreigners need to invest 100 million rupees (\$1.49 million) over 18 months, or 250 million rupees over three years, resulting in jobs for at least 20 resident Indians every fiscal year to be allowed to settle, the government said in a statement.

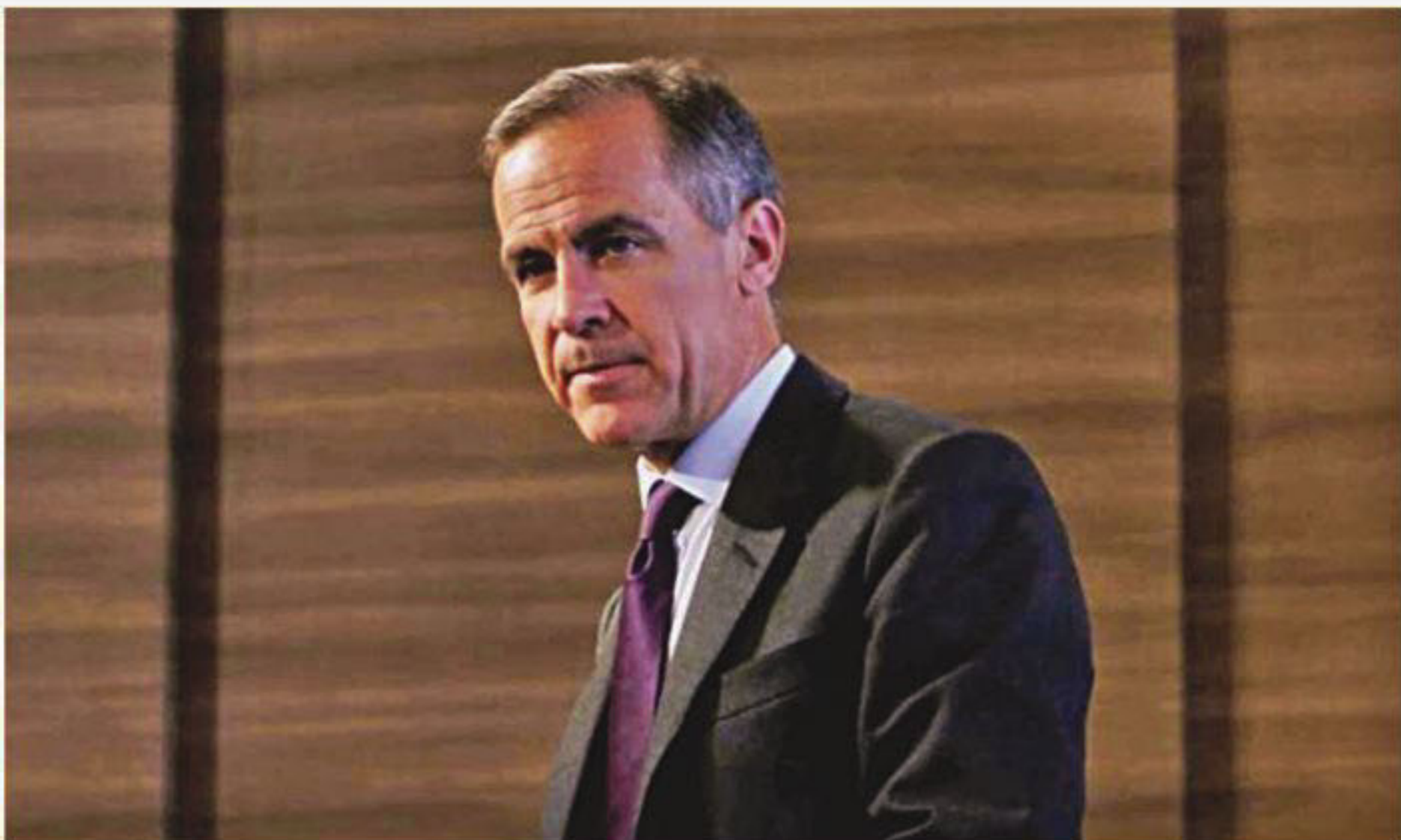
Those who meet the criteria would be eligible to stay for 10 years. The residency permit can be extended by a decade. Up to now, such investors have been eligible for business visas lasting up to five years.

The cabinet approval comes months after the government unveiled sweeping reforms to rules on foreign direct investment, clearing the way for Apple to open stores and announcing easier terms for investors in sectors ranging from civil aviation to pharmaceuticals.

Modi has urged global businesses to come and manufacture in India since he took office two years ago.

His government has pointed to a 23 percent rise in foreign direct investment to \$55.5 billion in the fiscal year to March as proof the policies are gaining traction.

## G20 watchdog says bank rules working well, digs deeper into markets



Mark Carney, Bank of England governor and the chairman of the Financial Stability Board, leaves a news conference after FSB plenary session in Tokyo, Japan.

REUTERS, London

**T**HE financial system's ability to cope with Britain's vote to leave the European Union and with doubts over growth prospects show the benefits of rules introduced since the 2008 collapse of Lehman Brothers bank, a global watchdog said on Wednesday.

The Financial Stability Board (FSB), which coordinates financial regulation across the Group of 20 (G20) economies, has introduced rules forcing lenders to hold more capital since the collapse of Lehman Brothers triggered a financial crisis.

"Events this year have shown that the work to fix the fault lines that led to the financial crisis is paying off and is now helping to support strong, sustainable and balanced growth," FSB chairman Mark Carney said in a letter to G20 leaders who meet in China this weekend.

"As implementation progresses, the financial sector is increasingly absorbing shocks rather than amplifying them."

More work is on the cards. Carney said the board would make recommendations in early 2017 to reduce misconduct after banks have been fined billions of dollars for attempting to rig interest rate benchmarks and currency markets. The FSB will also highlight next year regulatory issues that "merit policy attention" in the financial technology or fintech sector.

The FSB has already studied whether rules introduced so far have had unintended effects. Banks have argued they make it uneconomic to hold the inventories of bonds needed to buy or sell at all times to keep markets "liquid".

Carney said there was limited evidence that new rules had harmed liquidity in normal times, but the FSB would dig deeper into the growing use of platforms to trade bonds, and the use of computerized trading.

It will also study the repo or repurchase agreement markets, a form of short-term borrowing backed by government bonds, used for day-to-day funding and a key element of liquidity.

Banks are trying to persuade regulators, who meet on Friday, to water down remaining elements in Basel III, the world's core regulatory response to the financial crisis.

The lenders say that unchanged, these elements amount to a big increase in capital requirements which they dub Basel IV.

Carney, who is also governor of the Bank of England, reiterated that the regulators are committed to not significantly increasing overall capital requirements across the banking sector when they complete the work by year end.

The FSB reforms aim to stop banks from being "too big to fail", but the board said substantial work remained to be done before regulators could close a big cross-border bank in trouble without triggering market upheavals.

Regulators have full cooperation agreements covering only half of the world's 30 top banks and two of the biggest insurers, the FSB said.

Carney said the board would also finalize by year-end recommendations to introduce new liquidity rules for funds by the end of 2017, and develop a "simple and consistent measure of leverage" for funds by the end of 2018.

## From big oil to big data: inside Mukesh Ambani's \$20b start-up

REUTERS, Mumbai

**A**T the vast open-plan headquarters of Indian telecoms start-up Jio, billionaire oil tycoon Mukesh Ambani stands in short sleeves beneath a digital tracker that logs every new subscriber to his service.

The 59-year-old is India's richest man, and his Reliance Industries oil & gas group is the country's most profitable.

Now, though, he's betting at least \$20 billion on building, from scratch, a national digital empire stretching from phones and hardware to home entertainment and custom-made apps.

The ambitious Jio project could make Reliance the most comprehensive provider of telecom and internet services across India - and give it unprecedented access to the country's untapped 'big data': how millions eat, shop and have fun.

"For Reliance... data is the new oil, and intelligent data is the new petrol," Ambani said in March, explaining his drive to move closer to India's consumers.

Reliance has said little publicly about Jio, and even less about the potential for wide-scale data mining in a country where consumers have not, to date, made a big deal about online privacy. But top executives are clear on the opportunity.

"It's called Deep Packet Inspection, and what you can do with the analytics of that is mind-boggling," said a senior Reliance executive, referring to a practice that digs into 'packets' of data created by computers for efficiency, mining them for information.

Jio is unlikely to contribute significantly to Reliance profits anytime soon, but is hugely significant for its future. Reliance has dabbled previously in consumer sectors, yet Jio is seen as an opportunity for Ambani to set a new course for a company still dominated by his late father, its founder.

Jio is also a potentially landmark opportunity for India, where smartphone usage has ballooned and services like mobile payments and online entertainment have become commonplace.

The prospect of Jio, which has not yet been commercially launched, has raised hopes of cheaper, more reliable data for Indian users. It has already drawn queues at some stores by offering free connections with unlimited data for a three-month period, allowing it to test its network.

That has stirred rivals. India's largest wireless provider Bharti Airtel this week cut its 3G/4G data tariffs on prepaid connections by more than 40 percent, after halving them a month ago.

But Jio - named from a Hindi exhortation to 'live on' - is behind schedule and over budget, say several former employees, who, like current staff interviewed by Reuters, did not want to be named. It was initially expected to launch by



A general view of Reliance Jio headquarters on the outskirts of Mumbai, India.

end-2014, with total capital expenditure within \$15 billion, they said.

Reliance has never provided a specific date or figure, and declined to respond to specific queries for this article.

According to filings at the Commerce Ministry, Jio has more than 325 billion rupees (\$4.9 billion) of long-term debt, and other liabilities topping 580 billion rupees, as of March. In addition, Reliance has spent over 290 billion rupees on Jio and is expected to invest more - all adding up to more than what it has been spending on its core refining and petrochemicals business.

Reliance says its oil business is pumping out cash, and any investment in Jio has to be ambitious.

Two-thirds of India's 1.3 billion population are not online, and Jio hopes to capture 100 million users - nearly half of India's current smartphone users - within a year of launch.

Ambani, who employees say taught himself to code, ran Reliance's nascent telecoms operations in the early 2000s, before a feud with his younger brother Anil triggered a split and a bitter non-compete deal. Mukesh took the family's energy business and Anil the communications assets, setting up Reliance Communications (RCOM).

Before long though, Mukesh was laying fibre cables again and set up a subsidiary, Rancore, to build its own mobile telephony technology.

In 2010, Mukesh's Reliance Industries bought Infotel Broadband - on the day Infotel won nationwide spectrum - and decided it needed to offer more than a high-speed 4G network service. Instead, it would pitch an all-

internet service, where even voice calls would be carried as data, cheaply, beating its rivals Airtel, Vodafone and Idea on quality and speed, according to Jio officials.

Airtel, Vodafone and Idea declined to comment on Jio.

Naveen Kulkarni, co-head of research at Phillip Capital, said the Jio technology was "very efficient from a cost point of view," but needs India's smartphone ecosystem to evolve, making it unlikely Reliance will make money from Jio for at least five years.

At Jio's biggest campus, a sprawling cluster of glass buildings, manicured lawns and giant Jio logos outside Mumbai, the scale of Ambani's vision is evident. Reuters was offered a rare opportunity to visit the site earlier this year.

The campus has 15,000 employees working for Jio alone, plus hundreds of consultants and service providers working alongside the group. There are large guest houses and hotels.

In a single hall, Reliance has put on show everything from its e-payment mechanism and music-streaming app to its messaging app, sleek Jio smartphones - sold at a fraction of the cost of an iPhone - connected cars, and even a replica home.

"As they go out, they will have a very aggressive posture," said Rajan Mathews, director general of the Cellular Operators Association of India.

On campus, Ambani, who flies in by helicopter once a week, was flanked at his desk by his eldest son, Akash, who is Jio's head of strategy, and by Manoj Modi, a long-serving adviser, and a reminder of the influence of trusted employees, most from the oil business.