



Winner:

Best Demonstration of ROI
- WOMMA, 2006

MEASURING THE VALUE OF A MANAGED WOM
PROGRAM IN TEST & CONTROL MARKETS

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Measuring the Value of a Managed WOM Program in Test & Control Markets

Intro

Marketers are challenged to measure the value of even the most traditional advertising programs. A core function of every marketer's job is to prove that ad spends contribute to increased product sales, brand awareness or customer loyalty. Such pressures are greatest with new marketing media, such as word of mouth (WOM), because the benchmarks for success as well as the metrics themselves have not yet been adopted universally.

With regard to WOM, marketers should ask several key questions to determine campaign relevance and efficacy. These questions include: Which products are best suited for WOM? Do conversations correlate to purchases? For measurement purposes, how can a WOM program be isolated from concurrent advertising campaigns? This paper addresses the measurement of a managed WOM campaign in a test/control market environment and attempts to answer the above questions.

The Product

In the fall of 2005, national coffee and donut franchise Dunkin' Donuts® hired a word-of-mouth marketing and media company, BzzAgent, to complement traditional advertising programs supporting the launch of a new espresso beverage, Latte Lite®. The 100-calorie alternative tastes like its companion product, the regular Latte, but is made with skim milk and Splenda®, a no calorie sweetener, and contains no whipped cream. The Q4 2005 launch called for Latte Lite to be supported by in-store point-of-purchase advertising, radio in select markets and WOM.

The Strategy

BzzAgent designed a 12 week program comprised of 3,000 trained volunteers (BzzAgents), who would experience the Latte Lite, form their own opinions about the beverage, engage in natural conversations about the product and then report those WOM episodes back to BzzAgent via the company's reporting interface.



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Key Findings

To measure the efficacy of the WOM campaign, BzzAgent and Dunkin' Donuts created a test/control scenario in which test markets sales within the beverage category would be compared with control markets. Market pairs had similar advertising campaigns, with the exception of test markets that also included the WOM component. For example, if the control market just used radio advertising, then the test market used both radio advertising and a WOM campaign. Test markets included Boston, New York City, Cleveland and Detroit. Control markets included Hartford, Philadelphia, Atlanta and Chicago. Geographic selection accounted for market size, franchise penetration and brand awareness.

Volunteer BzzAgents received six cards that could be redeemed for a complimentary Latte Lite. This tactic allowed the BzzAgents to experience a risk-free trial of the product and also convey their authentic experiences to their social networks.

Execution

BzzAgent invited volunteers that fit Dunkin' Donuts demographic and psychographic profile for a Latte Lite customer to participate in the WOM campaign. BzzAgent's qualification and recruitment methods, including the use of Dunkin Donuts consumer segmentation algorithm, ensured the majority of the participants matched Dunkin' Donuts' primary consumer segments for the product, right down to the individual's age (adults 18-49 years old).

Because the BzzAgent database of volunteers mirrors the distribution of the U. S. population, more populated regions will have more participating BzzAgents than smaller cities unless limits or quotas are set. In the case of this campaign, no additional limits were placed on the recruitment strategy. Volunteers from all four markets entered the campaign on a first-come, first-served basis.



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Execution (continued)

A few things occur once a volunteer enrolls in a BzzAgent WOM campaign:

- BzzAgents receive a mailing (BzzKit®) that contains a product experience element (in this case, six cards each redeemable for a Latte Lite), an informational guide about the product and a code of conduct.
- BzzAgents have the ability to report their social interactions back to the company (and by extension, the brand being marketed) at www.bzzagent.com. Reports indicate with whom the Participant spoke and the nature of the conversation.
- BzzAgents are surveyed at three points during the 12 week campaign
- BzzAgents are kept up to date with news and information via email updates

BzzAgent leverages two sources to approximate the number of WOM episodes and people reached.

- Reports filed by campaign participants: Volunteers self-report how many individuals they speak with during each interaction, and a BzzAgent employee confirms this number using the qualitative information in the report. These Participants (Receivers) are quantified for each word-of-mouth campaign.
- Surveys account for additional, unreported WOM incidents.

It is important to note that BzzAgents rarely report all of their WOM episodes. There are various reasons for this, including:

- Lack of time/procrastination/forgetfulness
- A mediocre reaction from the conversational partner/doesn't seem *important* enough to report
- Episode is very similar to other WOM episodes that the Participant has reported; therefore, the WOM episode doesn't seem to necessitate a report



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Execution (continued)

In order to capture these supplemental WOM episodes, BzzAgents answer a survey at the close of a campaign. The survey includes questions about the approximate number of WOM episodes that were not previously reported. Generational impact of WOM (the continuum of conversations beyond the initial BzzAgent-to-receiver exchange) is then estimated based on the study, *To Tell or Not To Tell? Assessing the Practical Effects of Disclosure for Word of Mouth Marketing Agents and Their Conversational Partners*, that determined, on average, each receiver would tell an additional 1.65 individuals.¹

BzzCampaign Results:

- **5,004** reports were filed documenting WOM episodes during the campaign

Market	Enrolled BzzAgents	Reports Filed
Boston	1,234	1,904
New York City	1,358	2,323
Cleveland	150	303
Detroit	217	393
Other*	41	81
Total	3,000	5,004

*Agents who moved out of market during the Campaign

- **63.5%** of BzzAgents submitted at least one report, documenting their WOM episodes about Latte Lite (27% above the average of 55 past campaigns)
- On average, BzzAgents had **2.5** conversational partners during each episode
- Survey results indicate that BzzAgents neglected to report **3.8** WOM episodes on average
- **40,857** first generation participants were directly reached by BzzAgents in the four markets collectively. We computed this number as follows:
 - Via www.bzzagent.com, BzzAgents reported reaching 12,357 individuals
 - A survey at the conclusion of the program revealed that BzzAgents neglected to report an additional 3.8 WOM episodes during the 12 week program. Using the average 2.5 conversational partners per conversation leads to an additional 28,500 individuals reached during the program.



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BzzCampaign Results (continued)

- Taking into the account the generational spread of WOM from Generation 0 (the BzzAgent) to Generation 1 (the Receiver) to a second generation of consumers, BzzAgent estimates at least **108,272** individuals were reached via WOM originating with this campaign.
 - In turn, Generation 1 (the Receiver) will talk to 1.65 individuals on average about Latte Lite; therefore, reaching an additional 67,415 people
 - **3,000** BzzAgents spoke with **40,857** individuals who then had a WOM conversation with an estimated **67,415** more people, for a total of **108,272** people reached
- Nearly all BzzAgents tried Latte Lite, and more than 66% of survey respondents purchased additional Latte Lite drinks

Research Methodology to Evaluate ROI

- Sales Data
 - Dunkin' Donuts provided eight weeks of sales data for the eight markets (test and control) to analyze
 - Sales data was acquired from a sampling of Dunkin' Donuts franchise locations in each market and included the beverage category and overall total sales.
 - Latte Lite could not be separated out from the category itself; therefore, sales are representative of the entire espresso category
- Word-of-mouth Data
 - BzzAgent analyzed the actual number of Receivers *reported* during the same eight weeks as the sales data

Market Analysis Results

- **Outcomes: WOM had a measurable impact on sales**
 - There is a clear correlation of Receivers reported and a sudden and sharp increase in category sales during this time in test markets, while control markets did not experience such an increase (see figure 1).



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Market Analysis Results (continued)

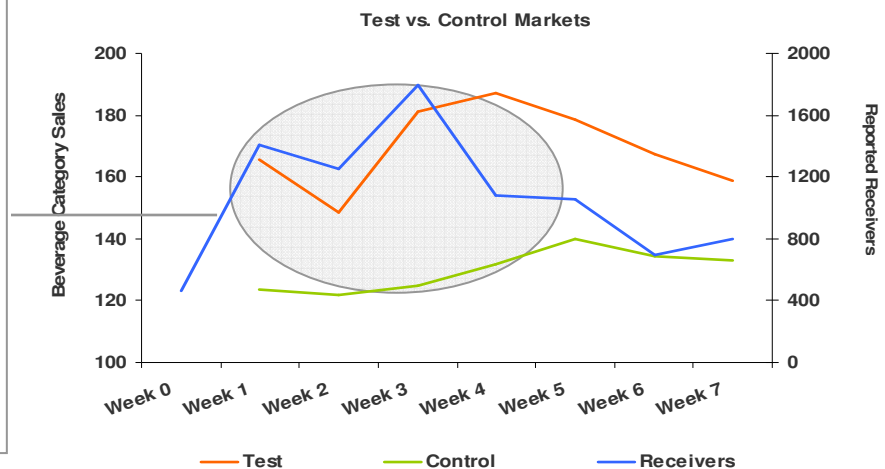
- Data for the analysis focused on weeks zero through four of Latte Lite’s program
 - One-third of all Receivers were documented during a 21 day period during this time.
 - Category sales increased at a rate that followed the increase in reported conversations
 - Interestingly, total store sales were also at their highest in the test markets during the weeks following when Latte Lite WOM was at its strongest

Figure 1 illustrates the overall sales in the beverage category in both the test and control markets, along with the cumulative reported receivers.

- There was a clear positive increase in sales after the WOM program launched
- Weeks two and three of launch proved to be extremely successful in test markets, as sales by the end of week four were **26%** higher than they were in week two. Control markets experienced an **8%** increase during the same time period.

FIGURE 1

- **33%** of all reported Receivers were reached during weeks 1 through 3
- A sharp **26%** increase in test market sales occurred during weeks two and three of the product launch following the barrage of WOM activity, while the control markets experienced an **8%** increase during the same time period



*Actual sales figures have been masked and indexed in the above chart, and the appropriate proportions have been maintained for display purposes



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Highlights from Individual Markets

With the exception of Boston, the other markets experienced similar patterns in increase in sales following the onset of WOM activity. Hartford, the control market compared to Boston, experienced a much sharper increase in category sales than any other control market and actually exceeded the increase in Boston.

FIGURE 2

Markets	+/- % Change in Category Sales (Week 2-4)
Boston	5.4%
Hartford	8.5%
NYC	7.7%
Philadelphia	-0.5%
Detroit	39.4%
Chicago	8.7%
Cleveland	68.2%
Atlanta	34.7%

- Category sales in New York City were 13% higher than the control market when Latte Lite launched. After four weeks New York City’s sales were 20% higher than the control market sales.
- Sales in the test market of Detroit never surpassed those in the control market; however, there was an increase in category sales during the first four weeks of the program. Category sales in Detroit were 26% *lower* than the control market sales when Latte Lite hit stores. After four weeks, the gap was *closed* and Detroit sales were 5% behind the control market.



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Conclusion

With each of the market pairs experiencing similar increases in category sales in test markets, WOM is a viable and measurable marketing medium. In the case of Latte Lite, smaller markets with fewer BzzAgents experienced similar results as the larger markets with many more volunteers. It is clear that WOM worked both to raise awareness and add credibility to Latte Lite and the espresso line.

Many questions have yet to be answered fully, such as which products will have the greatest WOM success or the number of participants required in a given market to have a measurable impact on sales. Additionally, many auxiliary factors will affect the success of a WOM campaign including distribution, product category, price point, target demographic and market penetration. As the WOM industry continues to mature, norms must be established in these areas so that marketers have comparable benchmarks upon which to base their purchasing decisions and measurement practices.

Notes

¹ Carl, W.J. (January 2006). *To Tell Or Not To Tell?*. Retrieved January 23, 2006 from <http://www.waltercarl.neu.edu/>



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Valerie Alderson is a senior campaign analyst with BzzAgent, a word-of-mouth marketing and media firm in Boston, MA. Alderson has tracked, measured and interpreted metrics—including Net Promoter Score™, sales lift and customer loyalty for more than 100 WOM campaigns on behalf of such clients as Dunkin' Donuts, Anheuser-Busch and Ralph Lauren. She has worked in technology and analytics for companies including RSA Security and Microsoft.

BzzAgent, Inc. is a word-of-mouth marketing and media firm that enables companies to organize and manage honest, real-world conversations between everyday consumers. BzzAgent's innovative process and platform allows it to develop systemized campaigns that help accelerate and measure word of mouth as a marketing medium. Clients generate awareness and shape perception through BzzAgent's community of 245,000+ trained, volunteer brand evangelists or by way of their own private label word-of-mouth networks. BzzAgent has served more than 150 clients, including Anheuser-Busch, Cadbury Schweppes, Lee Jeans, Levi's, Penguin Putnam Publishing, Ralph Lauren and Sun Microsystems.