



## **Nurturing the Grapevine: A Novel Perspective on Company-initiated Electronic Word-of-Mouth**

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### ***Abstract***

***Purpose*** – To develop and empirically test a novel conceptual approach for assessing a consumer's value for initiating electronic WOM.

***Design/methodology/approach*** – A prototypical website has been created to link wineries interested in having their wines sampled and talked about with consumers interested in sampling and evaluating wines. Data is collected from consumers who registered to sample wines.

***Findings*** – The results indicate that four distinct types of consumers exist (Switching Hermits, Autonomous Novices, Connected Loyalists, and Loyal Leaders) based on the size of a consumer's social network, wine expertise, communicative power, and loyalty in business relationships. Consumers' of each exhibit substantially different socio-demographics, wine buying behavior; they also differ significantly in their evaluation of wines, the WOM spread about those wines, and the responses of recipients.

***Practical implications*** – Preliminary insights on how to differentiate and classify customers for stimulating positive WOM.

**Keywords** cluster analysis, opinion leader, segmentation, word-of-mouth, wine tasting

**Paper type** Research paper

## INTRODUCTION

Word-of-Mouth (WOM) communications is a pervasive phenomenon. Across many product and service categories it has been found that both satisfied and dissatisfied customers tend to spread positive and negative WOM, respectively, about offers they purchase and use (Anderson, 1998). In wine marketing, practitioners and academics alike agree on the significant role of WOM in the dissemination of information with a long list of evidential publications pointing to the significant effect of WOM on consumer behavior, and consequently on sales (e.g., Keown and Casey, 1995; O'Neill, Palmer and Charters, 2002). WOM constitutes a major input to the deliberations of potential consumers regarding the purchase of new wines (Sweeney, Soutar, and Mazzarol, 2008).

Recognition of the significance of WOM, coupled with growing reservations regarding the effectiveness of commonly used forms of marketing communications, such as advertising (Duhan et al., 1997), may explain the repeated calls in the business press for managers to attend to possibilities of actively stimulating positive WOM (e.g., Bialagorsky, Gerstner, and Libai, 2001). Wine business managers are also diverting increased efforts to the management of WOM. Recent anecdotal evidence confirm an upward trend in the use of referral reward programs, in which customers are compensated for “spreading the word” about a wine, and inducing product consumption by their acquaintances (Nowak and Thach, 2006; Pitta, 2007).

Furthermore, the mounting use of the Internet, enabling surfers to communicate quickly with relative ease, has established the contemporary version of this phenomenon, known as ‘eWOM’, as an important marketing communication channel (Gruen, Osmonbekow and Czaplewski, 2005). In what is sometimes also termed ‘viral marketing’ or ‘stealth marketing’, companies are currently investing considerable efforts to trigger a WOM process and accelerate its distribution (Baker and Green, 2005; Kaikati and Kaikati, 2004). For example, an increasing number of online sellers (e.g., BevMo.com, wine.com) have adopted strategies using consumer reviews on its products, and regarding these reviews as one of the most popular and successful features

However, the current interest in WOM management has yet to succeed in transforming managers’ entrenched perceptions of the WOM phenomenon as a ‘black box’. Maintaining explicit or implicit beliefs that the personal influence process is beyond their control (Kimmel and Audrain-Pontevia, 2010), managers hope, at the most, to ‘manage’ rather than ‘direct’ WOM effects. Unfortunately, not a lot of academic or applied research in areas such customer-relationship management or marketing communications, has concentrated on the individual or personal WOM level (Chen and Xie, 2008) thus offering little to mitigate managers’ sense of inefficacy. Unlike other areas of marketing communications, such as advertising or sales promotion, in which significant attention has been given to revealing drivers and motivational factors of consumer intentions and behavior, little is known about who spreads WOM, why, and how to use corresponding insights for acquiring new customers for a wine.

Here, we offer a prototypical technique for better identifying and characterizing valuable customers who can be approached by a firm to actively spread the word about a wine. Extending theory and empirics on the application of WOM in wine marketing (Mitchell and Hall 2004; Pitta 2007), we created a website explicitly for linking consumers with wines, and employed uni- and multivariate data analyses for identifying ‘valuable’ WOM initiators, and to rate the overall efficacy of the system. In the specific slice-of-time results presented here, we focus on the general outline of the system as a structured and quantitative approach to directing WOM about wine.

## 1. CONCEPTUAL FRAMEWORK

Integrating research on WOM with marketing communication and sensory studies, the present research aims at generating insights on three important issues. The underlying research questions are (1) Who are the individuals likely to successfully spread WOM? (2) How to assess an individual's eWOM potential? And (3) How to stimulate valuable WOM initiators to refer additional customers?

Reviewing extant academic and trade literatures advocates that – to successfully spread WOM in favor of a firm's offers – individuals should possess several qualities. Perhaps most important is their being satisfied and loyal customers (Mitchell and Hall, 2004). While satisfied and loyal customers may not automatically spread positive WOM, high levels of satisfaction present a minimum requirement, whereas high levels of loyalty are desirable as those facilitate a firm's long-range planning.

A second quality draws from individual differences in communicating with others. The personality trait extraversion is a positive predictor of the time individuals spent networking (i.e., intentional word-of-mouth). Extraversion refers to the extent to which a person is sociable, gregarious, assertive, talkative, and active (Costa & McCrae, 1992), and people with high levels of extraversion prefer social situations in which they can interact with others (Goldberg, 1992). We expect potential WOM initiators higher in extraversion to be more valuable for two reasons (cf. Van Hove and Lievens, 2009). First, given their characteristics, extraverts are likely to have larger social networks through which word-of-mouth information might be provided. Second, even if their networks were equally large, extraverts will still interact more frequently with other people because they are more oriented toward social behavior, increasing the likelihood that wine-related word-of-mouth will occur.

Third, previous research has further identified the perceived expertise of the source as a key determinant of word-of-mouth in general (Bansal & Voyer, 2000; Gilly et al., 1998) and specifically for wine (Dodd, Lavarie and Wilcox, 2005). Source expertise can be defined as the degree of knowledge and experience the source possesses with respect to the product or organization. On the one hand, people are more likely to request word-of-mouth information from knowledgeable sources because they are perceived as being capable of providing correct information (Bansal & Voyer, 2000). On the other hand, sources with higher degrees of expertise are more likely to generate word-of-mouth because they have higher levels of involvement with the product or organization (Gilly et al., 1998). We expect potential WOM initiators to be more valuable as the recognition of their expertise by others increases.

Fourth, Sweeney, Soutar, and Mazzarol (2008) suggest that the potential for WOM to impact on consumer perceptions or actions further depends on the nature of the sender-receiver relationship. As consumers 'belong' to personal networks, the extent and nature of personal relationships in such a complex system influence WOM between group members (Goldenberg, Libai, and Muller, 2001). We expect potential WOM initiators to be more valuable as the size of their social network increases.

Regarding the question of how to stimulate consumers to actively spread the word, Hennig-Thurau et al. (2004) suggest that consumers' desire for social interaction, desire for economic incentives, their concern for other consumers, and the potential to enhance their own self-worth are the primary factors leading to eWOM behavior. Specifically, related to a desire to advance the community, consumers derive focus-related utility from helping others in the community (an altruistic motivation), or helping the company (to return something in return for 'a good experience'). Approval utility is derived from self-enhancement and economic rewards.

Taken together, the extant literature advocates that the eWOM potential of consumers can be gauged by assessing characteristics related to four factors: size of social network, expertise, communicative power, and loyalty in business relationships. To determine how valuable WOM initiators can be stimulated, the four motives, social interaction, economic gain, altruism, and self-worth enhancement appear appropriate.

## 2. EMPIRICAL STUDY

### 2.1 Study Overview

To generate insights into the research questions we designed and conducted an experimental study with consumers and wineries in Austria. The study involved launching a prototypical wine-tasting-and-referral website labeled 'grapevine' ([www.grapevine.at](http://www.grapevine.at)) which linked wineries with consumers. The web site exhibits a professional design and continues to be used for commercial purposes after this research has been concluded. As such, our research is based on data obtained in a realistic context.

We collected two separate sets of data over the course of several months. The first set consisted of information obtained from one-hundred-and-nineteen consumers who registered with *grapevine* to become eligible for wine tastings. Participant age ranged from 29 to 76 years ( $M=40.8$ ,  $SD =8.6$ ), sixty percent were females, and the sample included singles (31.4%), parents with one (36.4%) or more children (32.2%), and large variance in education and current position. The second set of data originated from actual tastings of the wines distributed through the site to consumers who had registered. Using the personal identifiers (usually acronyms or aliases) chosen by the consumers/ tasters, both data sets could be merged for later analyses. Consumer data included measures for the number and size of social networks, wine buying behavior, preferred communication channels, frequency of wine information spread, subjective wine knowledge, the trust and reliance of others in one's expertise, degree of extraversion, and social-demographic information. Tasting data included the wine sampled, an assessment of overall taste, price-quality-ratio, and a diverse set of variables measuring with whom the consumer shared the tasting outcome and the anticipated behavioral intentions of those individuals. Consumers indicated the tasting usually took place in their own home with friends and others visiting. No further information was gathered on the context of the tastings.

Subsequent analyses were then based on a set of ninety-six responses to randomly assigned one of three wines. Participants were 59% females, and the mean age was 38 years.

## 3. ANALYSES AND RESULTS

Analyses started with identifying WOM factors based on similarities within the sixteen variables characterizing personal networks, wine expertise, communicative power, and behavior in relationships with businesses. Performing exploratory factor analysis with Varimax rotation generated four factors which explained 78.9 percent of the original variance in the data. All item-to-factor correlations exceeded .74, and the lowest Cronbach's Alpha was .69. The resulting factors could be easily interpreted and were labeled '*Network Size*' (number and type of personal relationships with colleagues, friends, and acquaintances), '*Expert status*' (frequency of discussing wine with others, subjective wine knowledge, recognition and trust by others), '*Communicative Power*' (degree of extraversion, number and type of communication media used), and '*Loyalty*' (tendency to maintain business relationships).

To identify types of WOM initiators based on similarities among the factors, we employed cluster analysis closely following previous research (Plaehn and Lundahl, 2006). Specifically, we row-mean centered the tasting data to remove the respondent effect and applied different clustering methods including *k*-means, Ward, Euclidean and Mahalanobis metrics. We built the clusters using the raw variables rather than the factors, so as not to lose any richness in the data. Adhering to the salient statistics we determined that four clusters appeared to describe the data best. However, checking each cluster for outliers (by using Hotelling's  $T^2$  test) and testing the robustness of the cluster solution (by calculating the proportion of correct classifications with a training and test sample) was not feasible due to the small sample size. To determine what factors differentiated clusters, we performed analysis of variance combined with t-tests to identify cluster-specific factor scores that were significant greater or smaller than the mean score across clusters. In addition, we profiled the clusters by performing ANOVAs including socio-demographic and wine-buying behavioral variables (see Table 1).

Insert Table 1 Here

The first cluster, '*Switching Hermits*' comprises twenty-eight percent of respondents. Differentiating factors include small social networks, great expertise, average communicative skills, and the lowest loyalty. The cluster includes larger-than average numbers of married males with kids, around 40 years of age, who rely little on modern communications (newsletters, instant messaging), purchase wine more often than average, less frequently in special stores, but about average online, at the highest price point in the sample. Overall, this type can be described as little attractive as potential WOM initiators due to the small size of their social networks and low loyalty.

The second cluster, '*Autonomous Novices*' comprises roughly a third of respondents, and is differentiated by below-average sizes of members' social networks, the lowest wine expertise, average communicative power, and average loyalty. Outstanding socio-demographica include an almost pure female composition, balanced numbers of singles and parents with one kid, below-average membership in formal clubs and associations, communications mostly by instant messaging, and a relatively low average age of thirty-four years. Members of this cluster buy wine with below-average frequencies, mostly in supermarkets, almost never online, and at the lowest price points. Overall, this type can be characterized as little attractive due to their small network sizes and low expertise.

Comprising nineteen percent of respondents, the third cluster, '*Connected Loyalists*' is differentiated through the largest social networks, average wine expertise, low communicative power, and high loyalty. Socio-demographically, members include balanced numbers of females and males, married or living in established relationships, with no or just one child, relying heavily on personal telephone communications, and representing the comparatively oldest group in the sample. This type of consumer has a high wine purchase frequency, buys usually in special stores or directly from wineries, but at below-average price points. While the good social connections and high intrinsic loyalty may appeal to marketers, the attractiveness suffers due to a lack of communicative power and little recognized wine expertise.

The remaining fifth of respondents falls into the last cluster, labeled '*Loyal Leaders*'. Differentiating factors include extensive social networks, the highest level of wine expertise in the sample, the strongest communicative skills, and the highest tendency for loyalty. Typical members of this type are male, mostly single, with no kids, a large number of memberships in clubs and associations, who communicate little over the phone, but use blogs

and instant messaging, and are about thirty-five years of age. Taken together, this is the most attractive type of customers as they exhibit positive properties on all four factors of WOM.

To further detail and validate the WOM activities of consumers in the different clusters, we contrasted the types using their wine tasting evaluations and resulting referrals. ANOVA results indicate a number of significant differences in how the types evaluate (identical) wines, how they share these insights with others, and how others respond to those revelations.

Regarding the taste *Autonomous Novices* submitted the highest and *Connected Loyalists* the lowest ratings. However, these scores did not translate directly into evaluations of the wines' price-enjoyment-ratios as those were favorable for *Autonomous Novices* and *Loyal Leaders*, and were unfavorable for *Connected Loyalists* and *Switching Hermits*. This result was mirrored in the WOM receivers' responses as consumers referred to the wine by *Loyal Leaders* and *Autonomous Novices* exhibited the highest interest in buying the wine. Furthermore, *Switching Hermits* and *Loyal Leaders* scored the highest on the items assessing intention to buy the wine for themselves, and *Autonomous Novices* on the items measuring their intention to actively promote the wine, and the number of other people likely to buy the wine after they heard about it from them.

#### 4. DISCUSSION AND OUTLOOK

An in-vivo experimental study established types of customers according to their potential for WOM, their socio-demographic and behavioral properties, and their effectiveness as initiators of WOM based on actual tastings.

As such, our research heeds calls for more in-depth examinations into the personal characteristics driving the potential value of WOM initiators (e.g., Bialagorsky, Gerstner, and Libai, 2001), especially in the wine business (Mitchell and Hall, 2004). Specifically, by merging research on marketing communications (e.g., Sweeney, Soutar, and Mazzarol, 2008) with studies of consumer-company relationships (Nowak and Newton, 2008) we develop an integrative approach for conceptualizing and assessing wine consumers' potential and value as initiators of eWOM. While the types established in our taxonomy may vary in size, and although additional types may exist, the general approach of segmenting consumers according to WOM value-driving properties, profiling them, and linking them to the extent and success of actual WOM will persevere.

Very much like consumer typologies and market segmentation approaches assist businesses in identifying and targeting customers, the WOM types established here can assist managers in more actively stimulating positive WOM. Going beyond the simplistic customer reviews currently provided by online retailers (e.g., BevMo.com, wine.com), the *grapevine* prototype studied here should help overcome managers' perceptions that the personal influence process is beyond their control (Kimmel and Audrain-Pontevia, 2010), and should enable them to better direct WOM effects. Being able to identify consumers who have great potential for actively spreading favorable WOM, gaining insights into their actual effectiveness, and motivating them to persuade others is a big step in wine marketing. For example, to motivate valuable WOM initiators they could be granted 'Ambassador' status associated with receiving privileged information about wines and the business to further promote their expertise.

As with other research some limitations should be noted. Those include a relatively small sample size, the single-culture context in Austria, and the slice-in-time adopted here. To further our understanding of the processes and mechanisms underlying successful eWOM

about wine, future extensions should adopt a longitudinal perspective with larger and culturally more diverse samples.

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Table 1  
ANOVA Results for Cluster Profiles

	d.f.	F	p	Switching Hermits	Autonomous Novices	Connected Loyalists	Loyal Leaders
<i>Size (%)</i>				28	32	19	21
<i>WOM Factors</i>							
Network size	3,92	61.1	.001	2.26	2.29	4.33	4.10
Expertise	3,92	66.8	.001	3.99	2.34	3.54	4.44
Comm. Power	3,92	49.8	.001	3.41	3.19	1.39	4.30
Loyalty	3,92	5.2	.046	2.95	3.19	3.44	3.65
<i>Demographics</i>							
Age (years)	3,81	5.55	.002	41.6	34.6	45.3	35.0
Sex (%female)	3,92	3.19	.027	52	91	64	45
Marital Status*	3,92	6.76	.001	1.52	1.87	1.94	1.60
<i>Behavior</i>							
Newsletter	3,92	3.41	.021	.00	.00	.17	.05
Instant Mess.	3,92	6.37	.001	.15	.48	.00	.35
Pur.Frequency	3,85	5.90	.001	8.4	3.3	10.3	51.4
Discounter	3,89	15.80	.001	4.4	18.7	3.6	4.6
Vinothek	3,92	3.21	.027	.74	.74	1.00	.95
Online	3,92	9.55	.001	.30	.10	.72	.35
PricePoint	3,92	4.45	.007	11.75	5.3	8.5	10.83
<i>Tasting/Referral</i>							
Taste	3,92	4.95	.003	3.56	4.55	2.94	3.95
P-E-Ratio	3,92	1.43	.238	3.41	4.13	3.06	4.10
Others'PI	3,92	1.38	.254	2.96	3.81	2.72	3.05
PI	3,92	3.91	.011	4.15	2.52	2.89	3.40
Promote	3,92	5.31	.002	1.74	3.55	2.11	2.45
# Referrals	3,92	5.90	.001	8.35	18.66	10.33	15.37

\* Note: 1 = single, 2 = married or living with partner

