

# *How Does Word-of-mouth Marketing Affect Customer Loyalty*

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**Abstract:** With the development of social media, commercial marketing means are increasing rapidly. Among all the marketing strategies, word-of-mouth still plays a critical role. In addition, there has been a variety of innovations to apply this procedure in promotions. Thus, this article will focus on the relationship between word-of-mouth marketing and consumer loyalty to answer how word-of-mouth marketing improves consumer trust and wins long-term stable consumer groups.

**Keywords:** word-of-mouth marketing, customer loyalty, social media

## 1. Introduction

Word-of-mouth marketing originated from the Internet and has been widely used and promoted by merchants on this interactive network platform. Over time, the phrase word-of-mouth marketing gradually began to affect the market. It started to be applied by more small and medium-sized enterprises. It also received consistently high praise for its excellent market feedback as it makes more and more consumers develop trust in business products. In addition, it strengthened the relationship between consumers and businesses, building a loyal customer group for the enterprise [1].

There is a saying in marketing: "Only loyal consumers can bring greater value to the brand." That is said, consumer loyalty has a significant impact on the future development of brands and even that product category, and it even plays a decisive role [2]. Customer loyalty can be roughly analyzed from the following aspects: whether consumers are willing to focus on one brand's products, whether consumers take the initiative to broadcast a brand's value in front of others, and whether consumers continue to maintain a positive brand image for a long time.

In a word, this paper aims to take a detailed review of how word-of-mouth marketing gains customer loyalty. This study will be helpful for brands to improve their marketing strategies and enhance marketing efficiency according to user needs more concretely under the premise of adhering to word-of-mouth marketing.

## **2. How Does Word-of-mouth Make Customers Willing to Keep Buying?**

Word-of-mouth economy is a marketing method widely used in the market at present, which can not only help the development of a brand but also promote the operation of an industrial chain. At the same time, this section will start to focus on the brand advantage that the word-of-mouth economy can bring to a brand or company in the customer, which is what we call customer loyalty. The following sections will analyze and study customer loyalty under the word-of-mouth economy from the perspective of how to make customers willing to keep buying.

### **2.1. The Foundation for Enterprise Development---Market Demand**

Market demand is the important information that a brand or enterprise pays attention to before product design or production. When the demand for our product is greater than the supply in the current market, the company can choose to produce this product. For example, Seilco GmbH is a German automotive engineering company known for the quality of its engines. It is one of the world's best auto parts manufacturers and is a supplier to many of the world's major automotive brands. It supplies motorcycle engines to many companies around the world. The company's high-quality products and technology have given it a strong position in its field [3]. Still, its revenues have stagnated in recent years as the market has become increasingly saturated. So, Cristopher Nalla, the company's chief executive, is considering launching his own car brand in some of the world's fastest-growing markets. He wants to enter the emerging markets —BRIC countries (Brazil, Russia, India, and China). After a period of experimentation and research, he chose to launch the product in India [4].

India is currently the second most populous country in the world, with an estimated population of around 1.2 billion, and is expected to become the most populous nation on Earth by 2030. As the purchasing power of India's middle-class increases, it is a lucrative market for consumer goods companies worldwide [5]. Although the four-wheeler industry is becoming saturated in India, the two-wheeler industry remains a huge market in India, as two-wheelers are one of the most common modes of transportation used by Indians. Given the country's high population growth rate and poor state of public infrastructure, the two-wheeler market is expected to grow substantially in the next few years. Moreover, sales of two-wheelers are expected to grow in the coming years due to rising fuel prices and parking problems in an already crowded market in recent years. Therefore, it is feasible and profitable to launch the company's products in the Indian two-wheeler market. Good quality combined with a good market will undoubtedly give the company an excellent competitive advantage. After entering the Indian market, the company can use the sales data and technical support in other countries to carry out advertising or online media. This example also lets us have a good understanding of the market demand for a brand or enterprise market positioning and marketing basis.

### **2.2. Make a Good Brand Positioning**

Brand positioning is the focus that a brand needs to be strictly controlled and discussed in the early stage of its establishment or transition period. A good enough brand positioning can directly help its subsequent marketing strategy. When a brand's positioning can directly arouse consumers' interest, its word-of-mouth marketing will become a booster for the development of a brand. Brand positioning needs to grasp consumer psychology. For instance, nutritional or ethical consumers may pay attention to the calories and nutritional content when purchasing food [6]. They may also care about whether the product has natural or environmental connotations. Therefore, when we promote food products by word of mouth, we will emphasize the concepts or keywords related to the environment and ethics, such as "organic" and "trans-fatty acid free" [7]. In addition, when a person cares a lot about these brand concepts, they will choose between similar brands that are more technical, in other words, have a better brand background. This concept is what we call brand positioning. When we position the

brand as natural food without additives, clean production and processing environment may be a good word of mouth. Therefore, a good and comprehensive brand positioning by grasping the psychology of consumers can make an enterprise or brand have a foundation of word-of-mouth marketing.

Word-of-mouth marketing is an important factor in helping the development of enterprises, but if you want consumers to continue to buy your products, it not only needs extensive publicity but also needs to have enough background support. Market demand judgment and research, reasonable brand positioning, and technical support are the foundation of a brand and enterprise word-of-mouth marketing.

### **3. How Does Word-of-mouth Marketing Encourage Consumer Sharing?**

The formation of customer loyalty is not only about repeated purchase behaviors. Attitude orientation is regarded as one of the most important underlying factors for developing and measuring customer loyalty [23]. Customer loyalty can be divided into two dimensions: behavior and attitude. While the behavior side focuses on customers' actual actions, the attitude side looks at what customers feel about the brand. Their feelings towards the brand are critical to the formation of customer loyalty.

When customers enjoy the products, they would like to share this experience with their friends and family members. Past research suggests that reconditions or sharing behaviors are vital characteristics of customer loyalty. In addition, loyal customers find special emotional connections with the brand [17]. Word-of-mouth behavior is one example of these connections. On the one hand, loyal customers will engage in the spread of word of mouth; on the other hand, word-of-mouth marketing can enhance sharing and customer loyalty. Thus, this section will discuss how the application of word-of-mouth marketing can enhance customer loyalty by encouraging sharing with examples.

#### **3.1. Word-of-mouth Marketing Strengthens Self-brand Connections**

As an athleisure brand, Girlfriend Collective succeeded in promoting its products without the use of paid advertisements [21]. Instead, it relied on its referral program. Before launching a new product, interested customers will participate in an online line quiz that contains a link for share. The link includes an \$80 offer, which means a free product. In this case, the sharing of links is not only about a discount chance but also a way to express self-identity. To get the link, the customers must finish a quiz first. If customers are not interested in this quiz, they are not willing to finish it since the reward is for someone else. However, those who are interested may find the brand messages in the quiz relevant to themselves.

Past research suggests that the key underlying factor of sharing is intrinsic motivation. This motivation to share can be related to personal characteristics [15]. Customers will engage more in sharing behaviors if they find the brand messages relate to them. On the other hand, individuals not only want to look good in front of others, but they would also like to let others know about their personalities [18]. Quiz and referral programs allow customers to show their personal interests in front of their friends. Separately speaking, the quiz strengthens the emotional link between the customers and the brand. The referral program enhances the chance of sharing as it enables the customers to look helpful in front of others.

Consequently, customers are now motivated to talk about the brand with others. In other words, if the brand encourages its customers to spread positive word of mouth, it can lead them to identify more with the brand [22]. Once they internalize the message they received in the process, it becomes a part of their attributes and strengthens the self-brand connection. This sharing process also enhances the relationship between customers' self-identities and brand messages, resulting in enhancements in customer loyalty.

Through the repeated use of quizzes and referral programs, Girlfriend Collective builds its loyal customer groups by strengthening customers' self-brand connections with word-of-mouth marketing. While the relationship between self and the brand provides critical insights, it is also important to look at how the brand functions between self and society.

### **3.2. Word-of-mouth Marketing Enhances Brand-social Connections**

When customers purchase a product, they are also paying for the value behind the product itself. Since there are many choices they can pick, what message their purchase conveys is also essential to take into consideration. As its name suggests, Lush Cosmetics is a cosmetic company with products like body lotion. However, unlike traditional advertising strategies focusing mainly on products, its promotion campaigns are primarily about brand value. Since the brand started, it has been proud of its ethical principles, like minimum packaging and against animal testing [20]. Its official media channels often depict that they are doing charity in action. In addition, it encourages customers to share their experiences with the products in online communities [16].

As stated before, the customer's selection of products does not only reflect its functional values. Their purchase also invokes a message they would like to share with others. Usually, these messages are about their opinions. In this way, brands can serve as symbolic devices for customers [16]. By repeatedly purchasing a product from a brand, customers start to create a link between personal identity and social identity. By sharing their experience with the product, customers find support from like-minded others and get a better sense of self-image [18].

In the example of Lush Cosmetics, its customers can demonstrate their support of environmentally friendly procedures by sticking with its products. The brand also encourages customers to discuss their experiences with others. In this process, customers get the chance to express themselves using the product. For customers, starting the discussion of ethical issues with their friends in daily conversations might make them look strange. However, with the product from Lush Cosmetics, they can naturally form a discussion on that topic. In this way, the brand helps the customers to generate desired social impressions in front of their friends and family members.

In conclusion, word-of-mouth marketing allows the brand to enhance self-brand connections and brand-social connections. Within these perspectives, it promotes customer sharing behavior and improves customer loyalty.

## **4. How Does Word-of-mouth Influence Consumers to Maintain a Positive Image of the Brand?**

Word-of-mouth marketing is one of the most effective forms of marketing that involves giving customers reasons to share good opinions about your products with their friends and family. It helps you influence the customer's purchase decisions, build trust, and boost brand awareness [8]. So, word-of-mouth marketing plays a very effective role in maintaining customer loyalty. The next part of this section will analyze how word-of-mouth marketing works to promote consumers to maintain a positive image for the brand through examples of word-of-mouth marketing of different brands.

### **4.1. Social Communication Between Customers**

Netflix is a video website where customers can watch their favorite videos and express their opinions and what they want to say on the website. Places to speak on Netflix are also known as Netflix social events. It often does this through user-generated content, sharing viewers' excitement about their favorite upcoming shows to prompt interest in others [10]. Most consumers trust other consumers' evaluation of the brand more than the brand's evaluation of itself. So, Netflix builds social activities to attract customers to its site because customers can see what other customers are saying about the

site. Of course, the reviews are not always positive. There are negative reviews, but the negative reviews make Netflix's social activities more authentic. Furthermore, the backlash from customers under negative reviews has helped Netflix maintain a positive image. That will make it more attractive to new customers.

## **4.2. Customer Is the King**

Amazon does listen to its customers when it comes to online shopping. Their new membership program, Amazon Prime, offers not only free and timely shipping but also offers special offers, entertainment options, and ad-free music that customers can rely on blindly [11]. Amazon's word-of-mouth marketing is based on the concept of customer first. Amazon has far outperformed other online shopping channels during the pandemic. When customers feel respected and valued, they will naturally continue to choose the brand. In addition, with Amazon's service attitude, customers will not only continue to choose to recommend people around them who need it, but also help the brand maintain a positive image based on their own experience when people around them disapprove of Amazon's service. By exceeding customers' expectations or providing insider information about your product, you are giving them a reason to talk. Exemplary customer service makes customers feel the company is listening to them, which helps form a more emotional bond [12].

## **4.3. Choose a Persuasive Spokesperson**

Nike is the most popular sports brand right now, which is why it is so successful. Brand recognition is important, but this company is a winner for connecting with the athletes their target audience admires [9]. Jordan, as a basketball star with many fans, if he chooses to endorse Nike, then his fans will follow him to choose Nike. The brand will then benefit from this successful choice of spokesperson. When the fans are enough to support and trust their favorite stars, they will also trust the products they endorse. So, when consumers are willing to buy the product for the spokesperson, they will also maintain a positive image of the product. After all, no one wants to admit that the product endorsed by their idol is bad.

## **4.4. To Retain Customers**

The company has developed a loyalty program called "My Starbucks Rewards" that keeps coffee-drinkers returning to stores repeatedly. As of July 2021, the loyalty program has 24.2 million members in the U.S [14]. When a brand can retain customers, there is no need to worry about customers not helping to maintain their brand image. When customers are willing to continue to choose Starbucks, they recognize Starbucks. Consumers do not want someone denigrating something they approve of, so when someone says something negative about Starbucks, they defend the brand's positive image.

Brands that connect emotionally with consumers and that meet consumer expectations always do better during crises – usually six times better. "The 2020 Loyalty Leaders List proves that brands can emerge from watershed moments even stronger than before. Brands that do it right, brands that show up, can be surrogates for comfort, support, and added value [13]. Therefore, brands with customer loyalty are more successful than brands without customer loyalty. Continuous customer choice proves that the brand has sufficient ability and value. Therefore, brands should choose appropriate word-of-mouth marketing methods to gain customer loyalty, so their customers are willing to help the brand maintain a positive image.

## 5. Conclusion

This paper aims to demonstrate the influence of word-of-mouth marketing on consumer loyalty. It discusses the impact of word-of-mouth marketing on consumer behaviors from three perspectives: repeatedly purchasing, recommending, and maintaining a positive brand image.

From a theoretical point of view, this paper provides an in-depth analysis of word-of-mouth marketing strategy applications with theories and real-life cases. Previously, few studies have addressed the relationship between word-of-mouth marketing and consumer loyalty separately from multiple aspects. From a practical point of view, this paper uses many corporate brands to demonstrate the application of word-of-mouth marketing, which helps the readers to transform theoretical knowledge into practical knowledge.

From the theoretical analysis of this paper, we can extract some enlightenments that are beneficial to brand development for real-life applications. Since consumers obtain preliminary information about a product or service through a certain channel, brands can use social media platforms for their promotion campaigns. If these posts are attractive enough to meet consumers' psychological expectations, consumers will actively search for relevant information to find more details. As they learn more about the brand, out of some motives, consumers are now interested to become a part of the word-of-mouth marketing process. They will start to engage in product development, design, packaging, feedback, dissemination, and other dimensions as well. In the process of participating, consumers will form different experience perceptions. Good experience perception will encourage consumers to spread positive word-of-mouth for the brand. This process plays an important role in promoting the effect of word-of-mouth marketing and enhances the breadth and depth of word-of-mouth communication between the consumers and the brand.

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