METHODS OF WOM USAGE BY ENTREPRENEURS OPERATING IN CREATIVE INDUSTRIES – EVIDENCE FROM POLAND

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ABSTRACT

The article is aimed at identifying methods in which word of mouth is used by enterprises in their marketing communication as well as indicating advantages and possible problems related to the above. In the academic literature, the focus has been so far maintained on the word-of-mouth process mainly from the consumer’s viewpoint. The article proposes how usage of word of mouth might be classified and illustrates it with results of research conducted among a group of starting businessmen participating in the Entrepreneurship in Creative Industries project.

Keyword: word of mouth, creative industry, Poland

INTRODUCTION

The efficiency impairment observed in the case of traditional instruments used in marketing communication lead companies to seek alternative ways to reach customers. Lack of trust in advertisements occurs more often among customers, which implies the decreasing reliability of advertising messages. In the academic literature, the customers’ opinions are indicated as sevenfold more effective in passing information on a new product as the traditional sources of information, such as advertisements (Ennew et al., 2000). Recommendations are suggested as the basic method of winning customers in service industries. Clients’ opinions are formulated in the word-of-mouth (WOM) process.

According to O’Sullivan, the communication can be understood in two ways (O’Sullivan et al., 2005):

1) As a process serving the transfer of information, knowledge, ideas, feelings, emotions or used for coming to an understanding.
2) Or as creating and/or feeling the sense of community, maintaining social relations.

Defining communication as the process aimed at the transmission or transfer of information, knowledge, ideas, feelings, or emotions is connected with the model that is called a transmission model in the literature. On the other hand, the communication perceived as the social practice, which first of all serves the establishment of social relations and ties within social interactions and consists in the social creation of meanings, is related to the constitutive (ritual or orchestral) model (Kulczycki, 2012).

WOM, considered in the context of marketing communication, most often takes the form of the communication in the transmission approach.

The objective of the article is to identify the methods, advantages, and difficulties in the use of WOM by enterprises.

LITERATURE OVERVIEW
Word of Mouth Context

The academic literature offers two approaches to define WOM: narrow and wide. The narrow approach focuses on customers as the participants of the communications process and on products being the subject of discussion (e.g. Arndt, 1967; Kotler, 1991; WOMMA, 2012).

In the wide approach, employees and stakeholders of an organization are usually added to the participants of the communication process. Carl divides WOM into “ordinary” and “stimulated by organisations,” indicating that the messages don’t have to be initiated by customers, as people can be inspired by an organisation (Carl, 2006). Harrison-Walker (2001) and Mazzarol, Sweeney, and Soutar (2007) treat WOM as the process, under which the discussion is held, around an organisation and its offerings, and during these discussions recommendations may appear.

The basic elements of the WOM process include the object (message), the subjects (participants of the WOM process), and the context, in which the exchange of information (time of emergence and receipt of the message, way of transfer) is made.

The message passed in WOM can be positive, negative, or neutral. The participants of the process may act as the source (sender/originator) of the message, its recipient, and also the intermediary; they can take an active or passive role in the process. The message may be conveyed orally, written, face-to-face, or through the use of devices (telephone or computer, for example). It may proceed in real time, in the form of talk, or with some delay (posts on discussion forums, for example). It can be of unilateral or bilateral nature. All elements of the WOM process may interact with one another. The nature of relationships between the participants of the process may affect the nature of the message and the way it is transferred. The character of transmission can determine the way it is transmitted.

The company’s representatives as the participants of the communication process may be a specific booster of WOM messages. The active stimulation of WOM can be held through ethical actions [approved by the Word of Mouth Marketing Association (WOMMA)] and actions perceived as contradictory to the WOMMA’s code of conduct or even illegal.

The active stimulation of word of mouth, accepted by WOMMA and in accordance with law, includes mainly as follows:

- free product sampling
- making a product available for temporary use,
- maintaining a brand profile in social media,
- cooperating openly with bloggers,
- creating appropriate advertising messages (showing people talking about products, sharing opinions and experience),
- creating viral messages,
- running competitions and lotteries,
- providing free helplines available for customers.

The stimulation of WOM, considered inconsistent with the WOMMA code of conduct, includes mainly the following activities:

- payment for recommendations,
- “Internet amplifying” (establishment of fictional consumer profiles on forums and social media, creation of fake recommendations or fake complaints about competitors).
Many enterprises, realizing the huge power of WOM, make attempts to include this process into the programme of the integrated marketing communication. Word of mouth can emerge as the result of personal network of relations between colleagues and business partners or clients. It may be a completely accidental action, appearing in the context of absolutely private, noncommittal conversation, regarding a completely different matter (Belk, 1971). Every transaction completed by a company creates opportunities for establishing relationships that may be—and usually are—surrounded by formal communication and word of mouth. The WOM process is an inseparable companion of all activities undertaken by an enterprise. The way in which companies handle the management of various functional areas may have an influence on the WOM building. A careful direct service staff or a new recruitment campaign may draw public attention and give a reason for discussion. Word of mouth also can be stimulated by advertising activities, the suggestive choice of a name or a location, or the architectural design of premises. Companies may participate in the WOM process through monitoring information about them that is available in the market. Controlled or uncontrolled information leaks from inside of a company may also generate interest.

In the academic literature, the focus has been so far maintained on the word-of-mouth process mainly from the consumer’s viewpoint. Nevertheless, if an enterprise can stimulate and also use WOM as an instrument of the marketing communication, it may be also perceived as a sender and a recipient in this process. Companies using word of mouth are therefore likely to adopt various roles. According to M. Berndtson (2010), these roles can be either active or passive. Having developed this concept, it is assumed that providing a company adopts an active approach to the use of WOM, in which four types of behaviour can be identified: active stimulation and use of informal communication; active stimulation of informal communication but no use (encouragement to give recommendations); lack of stimulation combined with active use of informal communication (search for information, monitoring); lack of both stimulation and use of such communication. The types of behaviour connected with the usage of WOM by enterprises are presented in Table 1.

<table>
<thead>
<tr>
<th>Active utilisation of recommendations</th>
<th>Active use of WOM</th>
<th>Search for information (monitoring)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active utilisation of recommendations</td>
<td>Encouragement to recommendations</td>
<td>Lack of stimulation and use of WOM</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on M. Berndtson, Word-of-Mouth Retransmission in a Business-to-Business Context—A Network Analysis, work in progress, SSRN 2010

Creative Industry Context

Creative industries constitute one of the most promising areas of development in the economy, due to the innovative character of operations conducted in this business. Four areas of creative industry influence can be distinguished: direct participation in the economy, direct contribution to the stimulation of innovativeness, spillover effect, and sociocultural development (Szultka 2012).
Creative industries account for 2.7% of the European Union’s export of goods, reporting a larger contribution than chemical products—1.6%, or tobacco products—0.3% (2010). With an aggregate employment level of more than 6 million people, creative industries enjoy about 3.0% share of the total employment of EU-27 countries (Falk et al. 2011). More than half of the employed work in companies involved in information technologies (1.8%), while the remainder falls in industries related to business services (0.9%) and other types of creative activities, such as art and entertainment (0.3%). Taking into account international trade, creative industries report a significant share of EU exports—more than 4% (European Competitiveness Report 2010). The pace of development in creative industries is higher than the rate reported for the entire economy, and employment in these industries in the EU-27 increases an average of 3.5% a year (vs. 1.0% in the entire economy). Creative industries are inter alia the most innovative branches of the economy. Apart from inside-sector effects, spillover effects appear, comprising, among others: the flow of knowledge between enterprises, stimulation of demand for complementary goods and services, and inter-industry inspirations. All of these bring about sociocultural development, understood as influencing the residents’ quality of life, strengthening their sense of cultural identity and their overall life satisfaction (Szultka 2012).

The further growth of creative industries is perceived as an issue of great importance all over the world, and the economic future of Europe is simply tied to the acquisition of leadership positions in the fields of creativity and innovation (The Economy of Culture in Europe 2006). They are expected to contribute, to a great extent, to the implementation of the Europe 2020 strategy, including such initiatives as: the Union of Innovation, the digital agenda, the program for new skills and employment, and industrial policy in the globalization era (Green Paper 2010). The current strength of creative industries is well-illustrated by the combination of data on the export of creative products and services with data on international trade during the financial and economic crisis that began in 2008. While international trade worldwide decreased by 12% during the crisis, the export of creative products and services kept growing, reaching $592 billion in 2008—more than double their 2002 level—indicating an annual growth rate of 14% over six consecutive years (Creative Economy 2010). This indicates that creative industries are not only resistant to crisis, but are also capable of growing in such unfavourable conditions.

The concept of creative industries is relatively new; it was used for the first time in the ‘Creative Nation’ report published in Australia in 1994, and was more widely popularized by the activity of the Creative Industries Task Force, founded by the British Department of Culture, Media, and Sport (Creative Economy 2010). Although at first the concept referred exclusively to activity related to culture and art, at present its meaning is much wider and includes companies from arts and crafts markets, design, architecture, fashion, media and advertising services, software development, the performing arts, publishing, music, movies, and TV (Parkman et al. 2012). The literature includes various approaches to creative industries, including the four most important ones: UK DCMS model, symbolic texts model, concentric circles model, and WIPO copyright model.

Under the UK DCMS model, creative industries are defined as those requiring creativity, skill, and talent, with potential for wealth and job creation through the exploitation of their intellectual property (Creative Industries Mapping Document 2001).

The symbolic texts model associates creative industries with the processes of creation, transfer, and consumption of cultural contents, such as symbolic texts or messages, which are conveyed by means of various media such as film, broadcasting, and the press (Hesmondhalgh 2002).
The concentric circles model presents the layer structure of creative industries, composed of a core of creative arts in the form of sound, text, and image, and a series of layers, or ‘concentric circles’, with the proportion of cultural to commercial content decreasing as one moves further away from the centre. These types of activities are involved in reproduction and distribution of creative products on a mass scale (Throsby 2001).

The WIPO copyright model classifies creative industries according to the level of their engagement in the creation of intellectual value, making a distinction between those that are directly or indirectly involved in the creation, manufacture, production, broadcast, and distribution of copyrighted works (Guide on Surveying 2003). The above models are presented in Table 2.

### TABLE 2 CLASSIFICATION SYSTEMS FOR CREATIVE INDUSTRIES DERIVED FROM DIFFERENT MODELS

<table>
<thead>
<tr>
<th>UK DCMS Model</th>
<th>Symbolic Texts Model</th>
<th>Concentric Circles Model</th>
<th>WIPO Copyright Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Core cultural industries</td>
<td>Core creative arts</td>
<td>Core copyright industries</td>
</tr>
<tr>
<td>Architecture</td>
<td>Advertising</td>
<td>Literature</td>
<td>Advertising</td>
</tr>
<tr>
<td>Art and antiques market</td>
<td>Film</td>
<td>Music</td>
<td>Collecting societies</td>
</tr>
<tr>
<td>Crafts</td>
<td>Internet</td>
<td>Performing arts</td>
<td>Film and video</td>
</tr>
<tr>
<td>Design</td>
<td>Music</td>
<td>Visual arts</td>
<td>Music</td>
</tr>
<tr>
<td>Fashion</td>
<td>Publishing</td>
<td>Other core cultural industries</td>
<td>Performing arts</td>
</tr>
<tr>
<td>Film and video</td>
<td>Television and radio</td>
<td>Borderline cultural industries</td>
<td>Collecting societies</td>
</tr>
<tr>
<td>Music</td>
<td>Video and computer games</td>
<td>Wider cultural industries</td>
<td>Film and video</td>
</tr>
<tr>
<td>Performing arts</td>
<td></td>
<td>Heritable services</td>
<td>Music</td>
</tr>
<tr>
<td>Publishing</td>
<td></td>
<td>Publishing</td>
<td>Performing arts</td>
</tr>
<tr>
<td>Software</td>
<td></td>
<td>Sound recording</td>
<td>Collecting societies</td>
</tr>
<tr>
<td>Television and radio</td>
<td></td>
<td>Television and radio</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td>Video and computer games</td>
<td></td>
<td>Video and computer games</td>
<td>Musical instruments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Related industries</td>
<td>Paper</td>
</tr>
<tr>
<td></td>
<td>Core creative arts</td>
<td>Advertising</td>
<td>Photocopiers, photographic equipment</td>
</tr>
<tr>
<td></td>
<td>Literature</td>
<td>Architecture</td>
<td>Partial copyright industries</td>
</tr>
<tr>
<td></td>
<td>Music</td>
<td>Design</td>
<td>Architecture</td>
</tr>
<tr>
<td></td>
<td>Performing arts</td>
<td>Fashion</td>
<td>Clothing, footwear</td>
</tr>
<tr>
<td></td>
<td>Visual arts</td>
<td></td>
<td>Design</td>
</tr>
<tr>
<td></td>
<td>Other core cultural industries</td>
<td></td>
<td>Fashion</td>
</tr>
<tr>
<td></td>
<td>Wider cultural industries</td>
<td></td>
<td>Household goods</td>
</tr>
<tr>
<td></td>
<td>Borderline cultural industries</td>
<td></td>
<td>Toys</td>
</tr>
<tr>
<td></td>
<td>Consumer electronics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fashion</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sport</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Creative Economy Report 2010, Creative Economy. A Feasible Development Option, UNCTAD.

### METHODOLOGY
In order to verify empirically how companies make use of WOM, the participants of the Entrepreneurship in Creative Industries project were surveyed. The project was planned for years 2011–2013 and put into effect by Kozminski University under the Human Capital Operational Programme (Measure 6.2, Support and Promotion of Entrepreneurship and Self-Employment).

The main objective of the project was to stimulate new, dynamically growing businesses operating in so-called creative industries (e.g. film, video, photography, handicraft, architecture, design, etc.) in the metropolitan area of Warsaw. Preference was given to persons professionally inactive, unemployed and permanently unemployed, women, persons aged 45+, and the disabled. As the project was financed from the Human Capital Operational Programme funds, Measure 6.2, support and promotion of entrepreneurship and self-employment, the classic framework of support was adopted in the programme for use in this measure.

The target group included individuals intending to start their own business. The project consisted of five basic phases:

1. Recruitment
2. Selection
3. Diagnosis of training needs
4. Training
5. Advice for start-ups.

In the recruitment phase, 2,100 applications were accepted, and 160 individuals qualified for the second stage. Of these, 81 persons were awarded non-repayable financial support in the form of a grant worth PLN 40,000 to start up the business. At the end of the selection stage, the research using the auditorium questionnaire method was conducted among 102 participants of the projects.

The entrepreneurs who qualified for the project, and therefore for the analysis, intended to start their businesses in a variety of branches belonging to creative industries, as shown in Table 2.

<table>
<thead>
<tr>
<th>TABLE 2. CREATIVE INDUSTRIES BRANCHES IN THE PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
</tr>
<tr>
<td>Film and video</td>
</tr>
<tr>
<td>Art and graphic design</td>
</tr>
<tr>
<td>Architecture</td>
</tr>
<tr>
<td>Publications and publishing activity</td>
</tr>
<tr>
<td>Electronic media</td>
</tr>
<tr>
<td>Handicraft</td>
</tr>
<tr>
<td>Music</td>
</tr>
<tr>
<td>Fashion design</td>
</tr>
<tr>
<td>Photography</td>
</tr>
<tr>
<td>Industrial design</td>
</tr>
<tr>
<td>Antiques and art market</td>
</tr>
<tr>
<td>Theatre</td>
</tr>
</tbody>
</table>
Among the project participants were 48 females and 33 males, 29 married persons, including 23 with children to support, 43 unemployed, and 37 graduates of art schools. The average age of the participant was 38 years (median 35 years). The average job seniority was 10 years (median nine years). Seventeen persons had previous experience running their own businesses. The project is currently in the fifth phase of realisation.

The main goal was to verify whether the future entrepreneurs demonstrate the market orientation when thinking about their businesses. For the purpose of this article, only part of the questionnaire was analysed, concerning the interaction scale measuring inter alia (the declared willingness to acquire recommendations in an active way). It consisted of five statements measured with a five-grade Likert scale. The distribution of answers among various statements is presented in Chart 1.

### Chart 1 Agreement/Disagreement with Statements; N = 102.

<table>
<thead>
<tr>
<th>Statement</th>
<th>I definitely disagree</th>
<th>I rather disagree</th>
<th>I neither agree nor disagree</th>
<th>I rather agree</th>
<th>I definitely agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourable recommendations given by existing clients are worth boasting of</td>
<td>7%</td>
<td>34%</td>
<td>19%</td>
<td>28%</td>
<td>12%</td>
</tr>
<tr>
<td>Customers who recommend products/services to their friends are worth rewarding, for example with a discount</td>
<td>1%</td>
<td>18%</td>
<td>58%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>While running a business it is enough to sell products/services of high quality to make clients recommend them to one another</td>
<td>3%</td>
<td>39%</td>
<td>26%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>While running a business it is important to acquire in an active way recommendations from satisfied customers</td>
<td>4%</td>
<td>49%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>While running a business it is important to hold informal talks and establish informal contacts</td>
<td>1%</td>
<td>16%</td>
<td>26%</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

Source: own.

**FINDINGS AND DISCUSSION**

The absolute majority of respondents agreed with the general opinion that holding informal talks and establishing informal contacts was important for the business (90 per cent of “I rather agree” and “I definitely agree” answers). 95 per cent of respondents claimed that the active acquisition of recommendations from satisfied customers was important for the
business they intended to run. Nevertheless, 32 per cent of future entrepreneurs understood
the active acquisition of recommendations first of all as offering products of high quality. The
majority of respondents (78 per cent) agreed with the view that customers who recommend a
company’s products are worth rewarding (for example, in the form of a discount). In case of
the active use of recommendations, the opinions were divided. 41 per cent of respondents
disagreed with the statement that recommendations made by existing clients are worth
boasting of, while 40 per cent had an opposite view.

On the basis of all received answers, an attempt was made to attribute specific respondents to
the previously defined ways of WOM usage. Businesses whose owners agreed with these
statements—“while running a business it is important to acquire in an active way
recommendations from satisfied customers,” “customers are worth rewarding,” and
“recommendations of existing clients are worth boasting of”—were numbered among companies *stimulating and using WOM in an active way* (of course, only according to
declarations). Businesses whose owners declared positive answers to these statements—
favourable recommendations given by existing customers are worth boasting of,” as well as negative and neutral (“I neither agree nor disagree”) answers to the following statement:
“running a business it is important to acquire in an active way recommendations from satisfied customers” and “customers who recommend products are worth rewarding”—were numbered among companies *searching for information*, but not stimulating the emergence of recommendations. The group of companies that only *encourage recommendations* without using them in an active way was formed on the basis of the declarations made by business
owners who supported the importance of active acquisition of recommendations and
rewarding customers for making such recommendations as well as boasting of them.
Companies demonstrating the lack of both stimulation and use of WOM included businesses
whose owners disagree with the statements concerning the importance of active acquisition of
recommendations, rewarding for recommendations and boasting of them. The distribution of
methods in which word of mouth is used by starting business owners representing creative
industries is presented in Chart 2.

**CHART 2 METHODS OF WOM USAGE BY ENTREPRENEURS OPERATING IN
CREATIVE INDUSTRIES**

![Chart 2: Methods of WOM Usage by Entrepreneurs Operating in Creative Industries](chart2.png)

Source: own.
The majority of respondents (85 per cent) declared their willingness to use WOM actively in their businesses. Only 1 per cent (1 person) demonstrated the lack of intention to stimulate and use word of mouth. Since active stimulation of recommendations can be understood in many ways, respondents were also asked to declare their attitude to the following statement: “when running a business it is enough to sell products/services of high quality to make clients recommend them to one another.” The representatives of creative industries, typically involved in art activities, often identify getting recommendations with focusing on the best, most attractive, and original product. For that reason, the final decision was made to move respondents agreeing with the above statement to the group actively using recommendations, but not stimulating them. The new distribution of WOM usage methods, also with regard to the comprehension of acquiring recommendations actively, is presented in Chart 3.

![Chart 3 Methods of WOM Usage by Entrepreneurs Operating in Creative Industries (Version Modified with Regard to Comprehension of Acquiring Recommendations in Active Way)](chart3.png)

According to the above-mentioned assumptions, 53 per cent of respondents intend to actively use word of mouth, both through stimulation and use of emerging recommendations. 43 per cent are focused on the highest quality of their products and count on spontaneously generated recommendations, intending to use them as far as possible.

The research limitation may result from the fact that it was conducted in the initial phase of establishing businesses. The actual actions undertaken by entrepreneurs are likely to differ considerably from the planned ones. In addition, the research included only small business owners belonging to only one sector. An interesting direction for future research would be to identify the ways of the WOM usage by companies of different sizes and various industries.

CONCLUSION AND RECOMMENDATIONS
The active approach to the stimulation and use of WOM for marketing purposes brings many advantages. Among them, the following are worth mentioning:

- Interactions with clients,
  - Opportunity to get information on customer needs,
  - Ability to adjust one’s offer to customer expectations,
- Creating favourable image of reliable organisation,
- Ability to measure effects of activities conducted in the virtual environment,
- Increasing brand awareness,
- Winning new customers,
- Reducing total costs of marketing communication (relatively lower costs of WOM activities as compared with traditional tools of marketing communications).

There is a need, however, to recall the numerous problems likely to occur with the use of WOM by enterprises. The most important issues include:

- Loss of favourable image due to the incompetent use of WOM being the result of:
  - Excessive stimulation of recommendations through aggressive market practice,
  - Paying for recommendations. In pursuit of favourable recommendations some companies are ready to pay for them, using so-called “Internet Amplifying” service, which is unethical and in extreme cases illegal,
- Possibility of credibility loss through disseminating false information (e.g. by competitors),
- Risk of disclosing too much of crucial information about a company by its employees maintaining interactions with customers.

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