

The Word-Of-Mouth effect on social networks and its impact on the Film Industry

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ABSTRACT

Based on the growth of the use of social networks as communication platforms, and the exchange of ideas and opinions, we analyze the concept of the phenomenon “word-of-mouth” and the impact it causes on the Film Industry. In order to reach veridic and pertinent results, a series of research articles have been analyzed to find a reliable and rigorous approach to develop the subject. The introduction presents the concepts that will develop the storyline through this review, and the causes of the evolution of advertising and selling an audiovisual product. Firstly, it is presented the concept of the WOM¹, along with its origins and how it has been developed throughout history. The study continues analyzing the transformation of WOM towards the digital format and, nowadays, how its importance has suddenly increased. Social networks and WOM are related concepts. Therefore, we investigate how they complement and influence each other, thus bringing this merger to the world of the Film Industry. Following the introduction, we develop the study dividing it in two different sections: the first one focused on the pre-release effect of the WOM, and the second section develops the subject on the post-release effect. Each section is organized in different matters. The pre-release segment is about the current film market and its historical methods to deduce the popularity of an audiovisual product. Then we bring in the WOM effect section, emphasizing its importance to the film market. Henceforth, the methods of study and measurement of the WOM effect are carried out. The post-release segment initiates with two new recent concepts: social media and consumers, both used as a tool. This is the segment where both, WOM and social networks, converge into one, and how this fusion ends up affecting the Film Industry on another level. The study is settled with a conclusion, which folds up the entire phenomenon of the WOM effect on social networks and its impact on the Film Industry, and how consumers have become an active agent on the market thanks to the Internet.

Keywords: social media, word-of-mouth, WOM, Film Industry, publicity, consumers, social network, viral marketing, influencers

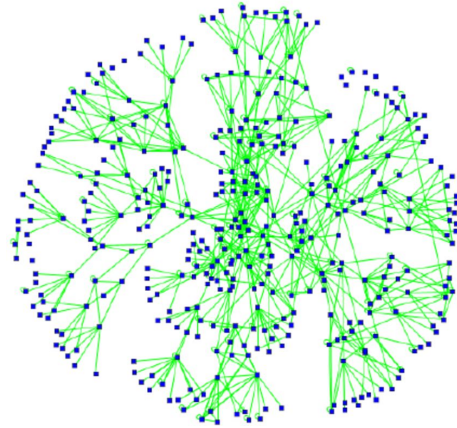
¹ WOM: acronym of ‘word-of-mouth’.

INTRODUCTION

Nowadays people can exchange opinions and experiences related to products with individuals outside of their personal communication network of family, friends, acquaintances, and colleagues. This ability to exchange opinions and experiences online is known as online word of mouth. Formally, this concept is described as “all informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services or their sellers” (Davis, 2007).

On the other hand, reports demonstrate that traditional publicity is losing its effectiveness. A survey done with the aim to analyze consumers point of view conclude that 40% fewer people agree that advertisements are a good way to learn about new products, 59% fewer people report that they buy products because of their advertisements, and 49% fewer people find that advertisements are entertaining (Trusov, 2009). The article also clears that Word-Of-Mouth is the world’s most effective, yet least understood marketing strategy. In this study we are going to apply these conclusions and analyze if they also affect the Film Industry, the economical results and success of an audiovisual product.

To develop the article, we have analyzed and taken conclusions by reading a great number of researches already done. We have been able to discover the origins of Word-Of-Mouth, how it has become a powerful tool and its digital form in social media. Furthermore, social media is highly influenced by social networks and consequently, popularity. The more popular a person is, the higher its opinion impact will be. (Yu, 2012).



An example of social network from GUESS

It was also vital to apply this knowledge and see if it impacts on the Film Industry. Therefore, the articles select had to be focused on the audiovisual market

PRE-RELEASE WOM

ACTUAL MARKET

Nowadays film industry products have a short life-cycle and professionals of the area are aware of it. A great percentage of contemporary projects are designed and done with the aim to have a huge impact but conscious that it will not last for too long (Bharadwaj, 2017). To create such an impact in the market, the film industry has invested in the marketing area due to the relevance that this section has in the results and the money that the movie is going to raise.

In 2004 the well-known director Steven Spielberg released the movie *The Terminal*, where the actor Tom Hanks started the main role. The project had a \$110 million budget. However, during its opening weekend it only raised \$19 million, and in the end the movie tanked in theatres having just gathered an amount of \$77 million. These results were far away from what predictions had suggested, so professionals analyzed the case.

The conclusions indicated that a lack of marketing, and consequently a result of a low word-of-mouth from consumers, were the cause of the failure (Dellarocas, 2007).

PREVISION OF THE SUCCESS OF A MOVIE

Professionals in the field of film industry and investigators have frequently cited consumers word-of-mouth, the most important factor to determine the success of a movie. Several studies portrait that pre-consumption WOM has a lot to say about future movie sales (Rui, 2013). However, this phenomenon has an established patron: people tend to talk about a movie after watching it, and it decreases as time goes by.

WOM has always been very relevant and has influenced a lot of people and opinions since the beginning of the humanity existence but, unfortunately, we were not able to track and measure the consequences because it was impossible to record information. Now this situation is no longer a problem thanks to social media and online platforms, where consumers exchange and compare their opinions.

THE IMPORTANCE OF WOM

The Film Industry is using social media as a tool to analyze citizens opinions about a product. And professionals all around the world have concluded that WOM has added two important new dimensions (Awad, 2016):

- Unprecedented scalability and speed of diffusion
- Persistence and Measurability.

As we have stipulated before, online product reviews represent a potential tool to study consumers attitudes towards a product in real time. Therefore, marketing companies are developing programs and strategies that appropriate models and metrics that modify the way to sell a new project, according to the feedback they receive in social media. Word of Mouth studies are having such an impact in the cinema market that they have recently created the Word Of Mouth Association, which holds regular conferences on the topic.

Relative to more traditional metrics, research demonstrates that the addition of online review to a benchmark model that includes pre-release marketing, theatre availability, and professional critic reviews reduce the model's percentage error by 38% (Dellarocas, 2007).

HOW TO ANALYZE AND MEASURE CONSUMER WORD-OF-MOUTH?

The prime theory is that behind measuring the volume of WOM, the more consumers discuss a movie, the chances are higher that more people will become aware of its existence (Dellarocas 2007). Traditionally, this phenomenon was measured by controlled experiments. These studies found out that those who live together share similar movie preferences than those who live far apart. Thus, to that, studies conclude that consumers who live together have more opportunities for interaction and the WOM communication is more prevalent.

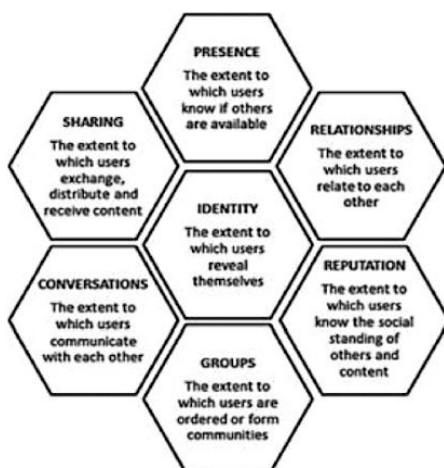
Nowadays, the Internet has introduced a new technique for measuring WOM: through online discussion groups, forums and online content. Nonetheless, methodological systems to analyze these contents are still in process of being established as a cause of its novelty.

POST-RELEASE WOM

A NEW CONCEPT

As it has been pointed out previously, over the last years, the audiovisual market has increased considerably, causing thousands of products worldwide to grow constantly. The need to refocus the market came out to obtain new strategies to increase the benefits and the audience of the products. In this scenario, social networks have become an elementary key in the restructuring of new forms of business and marketing. Due to the increase of use of social media in our daily life and its impact, the concept of Viral Marketing was created, which uses consumers to increase the popularity of a brand. (Hennig-Thurau, 2004).

In this new perspective the role of the consumer is fundamental, since it creates information that is decisive for the marketing-decisions of the products. To illustrate this idea, the honeycomb model is useful to identify the basic blogs of social networks: identity, conversation, sharing, presence, relationship, reputation and groups, as shown in the picture below. (Kietzmann, 2011)



Source: Kietzmann *et al.* (2011)

The role of the consumer when expressing their opinions, once an audiovisual product has been published, is crucial to enhance the effects, positive or negative, that it can cause. Because of the concept of WOM applied to social networks, consumers can spread their opinions around the world and cause an impact.

SOCIAL MEDIA AS A TOOL

Social media micro-blogging broadcasting networks are transforming the way e-WOM is disseminated and consumed in the digital world (Hodeghatta,2016). Networks like Facebook and Twitter have been two of the most powerful social networks on the world stage to achieve this change. Data collected from these sources is used for marketing, opinion mining and sentiment analysis.

Twitter has become a connecting bridge for promotions, services and sales around the world to reach directly to the consumers. Even though different countries users have different social media behavior, it is proved that consumers all over the world are using Twitter to express their views openly.

Post-consumption WOM affects future product sales indirectly through its awareness effect and persuasive effect (Rui, 2013). Although the percentage of positive tweets is much higher than that of negative tweets, the seconds have a much larger impact on the market than the first ones. Only 1% increase in negative reviews results in loss of profit 20% higher than of positive reviews, in proportion.

CONSUMER AS A TOOL

Starting from the foundation that social networks have become marketing elements, consumers are one of the driving forces behind the media. Some studies portrait that the WOM effect from the group of users with more followers, is significantly larger than the group of users with fewer followers. (Rui, 2013). Here's where professionals relate a connection between the concept of Viral Marketing and the consumers, since they are the responsible of making it possible.

There are 8 factors (Hennig-Thurau, 2004) that portrait the reasons behind the creation of the consumer as a tool:

- Platform assistance;
- Venting negative feelings;
- Concerns towards other consumers;
- Positive self-enhancement;
- Social benefits;
- Economic incentives;
- Helping the company;
- Advice seeking.

All these points are considered according to gender, age, education, occupation, number of contributions and the platform they visit. Those are the factors needed for a person to create a bond with the audience and have influence over their opinions. Therefore, this is how an *influencer* is created.

Television networks are beginning to discover the added value of activating their content in means other than broadcasting, where they can be reported under alternative and complementary formulas or by enabling spaces in which the viewer can express their opinion directly. This new way of watching television has been based on web pages as an information framework, and in virtual

communities, as a framework for discussion. (Tur-Viñes, 2014). On account of the application of social media on television, the concept of transmedia narrative is born. Taking a movie or TV show through several communication platforms, the interactive role of the spectator is created by following the story in the show in real time.

Several studies have been made to understand the transmedia narrative process and how it has evolved over the years (Tur-Viñes, 2014). As an example, the methodology they use in the case of a television series, is to create an expectation from the first chapter to extract information about the direction that the project must take. This allows us to see clearly the impact of the spectators' opinion on the diffusion of an audiovisual product.

EFFECTS OF THE REVIEWS

Online customer review systems are one of the most powerful channels to generate online word-of-mouth (Duan, 2008). Whether there is a positive or negative balance of the review can determine the outcome of a product. To control this effect and to allow companies to benefit from it, there are a few points that must be taken into account to put the balance in their favor (Rui, 2013):

- (1) identify users who are influential on topics of their interest;
- (2) monitor people's intentions toward topics of their interest;
- (3) experiment targeted advertising based on people's expressed intentions.

Furthermore, providing unbiased filtering companies increase the positive impact of online reviews on online transaction (Awad, 2006).

CONCLUSIONS

The concept of WOM has always been present in our society. Since the implementation of social networks, and the possibility of dissemination they offer, the Film Industry has seen the opportunity to intervene and take advantage of it, by exploiting and promoting their products to increase the economic benefit.

Despite being a novelty and a very effective method, only large productions can benefit from it in a controlled way, since they have enough financial resources to bet on this method. On the other hand, independent productions do not have enough economic fund to invest great part of their capital in publicity.

This paradigm has totally transformed the role of the consumer, traditionally in a passive role, in which he was limited to consuming the product and sharing his opinion in his closest social environment; to be in an active role, in which the dissemination of his opinion has no borders and, therefore, more impact. We also must consider other factors, such as the popularity of the people who disseminate such information, and the ability they have to influence their followers.

We conclude that the topic we have chosen to analyze, "The Word-Of-Mouth effect on social networks and its impact in the Film Industry", has a great impact on the current Film Industry and on the economic success that a cinematographic project will obtain. We must not forget that there are other factors and opportunities to capture viewers' attention, such as product discounts, the traditional advertising tools, the publication strategies (for example, knowing when to launch a project strategically), and the relevance of the technical and artistic team that will form a project, among others.

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